# FINANCIAL TIMES

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## ASSASSINATION ATTEMPT ON THATCHER AND CABINET AT PARTY CONFERENCE INJURES 30

# IRA bomb kills 3 at Brighton

BY PETER RIDDELL, KEVIN BROWN AND LISA WOOD IN BRIGHTON

AT LEAST three people, including Conservative MP Sir Anthony Berry, were killed and 30 people—two of them Cabinet Ministers—injured in yesterday morning's attempt at Brighton to assassinate Mrs Margaret Thatcher and other senior ministers.

The bombing, at the Grand Hotel, was the most violent challenge to constitutional authority in modern British political history. Responsibility was admitted by the Provisional IRA.

Mr Norman Tebbit, the Trade and Industry Secretary, and Mr John Wakeham, the Government Chief Whip, were both seriously injured after being buried in rubble for several hours. Mr Wakeham's wife, Roberta, was among the dead.

Police feared that other bodies might still be in the rubble, but the search was being hampered by the need to carry out structural work to prevent the hotel from collapsing.

The murder of Sir Anthony Berry will mean a by-election in his Southgate constituency in north London which he held for 20 years.

The Provisional IRA said in a statement to the Press Association in Dublin that a 100 lb gelignite bomb had been detonated "against the British Cabinet and warmongers." The Home Secretary, however, said 15 to 20 lbs of explosive were used.

The bomb went off at 2.54 am at the seafront hotel, where the Prime Minister and most of the Cabinet were staying for the Conservative Party Conference which ended yesterday.

The Royal Sussex County Hospital said last night Mr Tebbit had a gash on the left side of his body and broken ribs, but not a broken leg, as first feared. Following an operation he was sitting up fully conscious and is said to be comfortable.

However, his wife Margaret is in a serious but stable condition in the intensive care unit with back injuries.

Mr Wakeham has serious injuries to his lower legs on which he has had surgery. But last night he was reported to be conscious and the hospital said there was no immediate cause for concern.

The only other MP taken to hospital was Sir Walter Clegg, MP for Wyre.

The hospital said 12 of the injured had been discharged.

The conference went ahead as planned and Mrs Thatcher opened her speech in the early afternoon by condemning the attack as an attempt not only "to disrupt and terminate our conference, but also to cripple Her Majesty's democratically elected Government."

The Prime Minister and senior colleagues only narrowly escaped injury and death. Within 25 minutes of the explosion she and her husband and some other ministers left the hotel for Brighton police station. She looked unruffled with not a hair out of place.

*Mrs Thatcher's determined responses to yesterday's events won universal admiration from those at Brighton, underlining her strength of resolution as a national leader also seen during the Falklands War.*

She was said by close advisers to be very shaken, especially given the uncertainties about the health of close colleagues, but determined to defy terrorists.

She made "business as usual" the theme of her speech.

The immediate response among ministers, MPs and conference representatives was numbness and shock that such an outrage had occurred and had so nearly wiped out most of the Cabinet. Much of the seafront was closed yesterday morning and people

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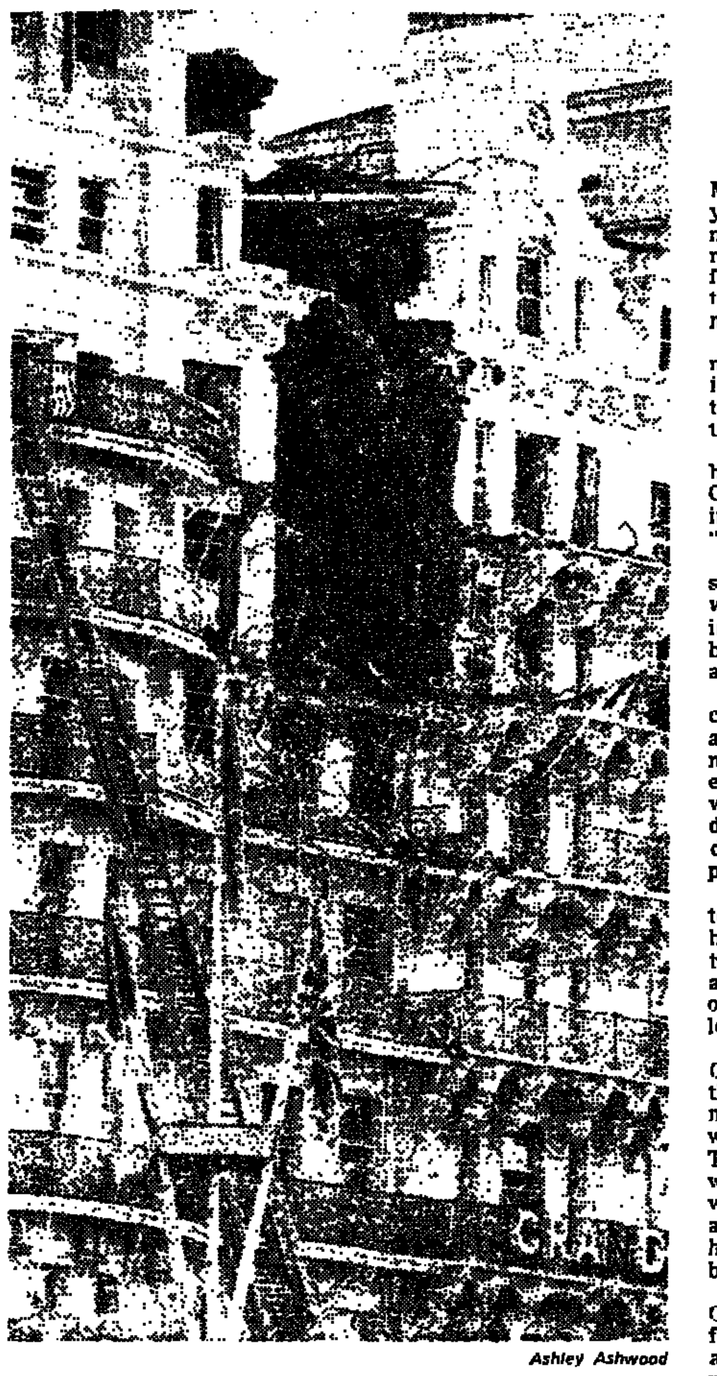

*Ashley Ashwood*

The upper floors of the Grand Hotel, Brighton, which were devastated by an IRA bomb

# Rule of law will prevail —Thatcher

BY PETER RIDDELL, POLITICAL EDITOR, IN BRIGHTON

MRS MARGARET THATCHER yesterday presented the Government as the upholder of the rule of law and democracy in face of "an organised revolutionary minority" in the miners' strike.

Denouncing as inhuman the morning's bomb attack, she said it had failed as "all attempts to destroy democracy by terrorism will fail."

She then continued with the bulk of her major speech to the Conservative Party conference in Brighton on the theme of "business as usual."

Speaking as a national leader, she said Britain, "faces now what is probably the most testing crisis of our time—the battle between the extremists and the rest.

"We have seen in this country the emergence of an organised revolutionary minority who are prepared to exploit industrial disputes but whose real aim is the breakdown of law and order and the destruction of democratic parliamentary government.

"If their tactics are allowed to succeed, if they are not brought under the control of the law, we shall see them again at every industrial dispute organised by militant union leaders in the country."

Mrs Thatcher said that the Government had done everything "it could to prevent the miners' strike. Indeed some would say we did too much." The National Union of Mineworkers' executive "did not want a settlement. They wanted a strike. Otherwise they would have balloted on the coal board's offer," she said.

This presentation of the Government as the defender of freedom won the loudest applause from Conservative members who clearly linked her approach with her unruffled determination in the face of the early morning bomb explosion.

Mrs Thatcher's speech was hurriedly amended as a result of the explosion. She apparently dropped some of the more contentious and partisan passages attacking Labour over the miners' dispute in the belief these would be inappropriate.

Otherwise, she sought to answer doubts expressed during the conference over the Govern-

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Speech details, Page 3; Editorial Comment, Page 22

Mrs. Margaret Thatcher addresses the conference yesterday

# A sombre closing of Tory ranks

BY JOHN HUNT IN BRIGHTON

A SUBDUED crowd of Conservative Party members gathered in front of a television set in the Brighton Conference Centre yesterday, having poured out of the morning debate on Northern Ireland.

The TV interviewer was asking Mr John Gummer, the party chairman, to describe the mood of the conference in the wake of the bombing at the Grand Hotel in the early hours of the morning.

"There is very little I can say. It is sombre, very sombre indeed," Mr Gummer murmured.

The previous evening, a rift had appeared in the party over Mrs Margaret Thatcher's leadership style, the handling of the miners' strike and rising unemployment. But yesterday, in the shadow of the bombing, the party members closed ranks behind the leader.

A standing ovation greeted the Prime Minister, when she appeared on the conference platform just before the start of business at 9.30 am. She was characteristically determined to demonstrate that terrorism could not prevent her or her government from carrying on business as usual.

After a two-minute silence and a speech from the Rev John Milburn, vicar of the nearby parish church, the conference launched into debate on Northern Ireland. Mr Douglas Hurd, the new Northern Ireland Secretary, was thrust into unexpected prominence by the events of the night.

The rank and file was soon reminded that events such as the hotel bombing were common in the life of the province. Mr John Taylor, Official Ulster Unionist MP for Strangford, recalled how he had been shot in the head by the Irish Republican Army and three of his properties had been blown up.

There was no doubt where the sympathies of the conference lay. Mr Taylor was cheered when he said there must be no encouragement for a united Ireland or for the *New Ireland Forum*, which had been overwhelmingly rejected by the people of the north. In contrast, a speaker who called for a "single political entity," embracing north and south, faced angry heckling.

There was also applause for Mr Hurd when he expressed the government's resolve, and said that British democracy would outlive the bombs and bullets.

Against the background of the scenes at the Grand Hotel next door to the conference hall, where rescue workers were still searching for bodies, the air of normality during the education debate which followed was almost uncanny. Sir Keith Joseph, the Education Secretary gave a relaxed speech, a few hours after he had been seen staggering out of the bombed hotel in his pyjamas.

In the lounges and foyers of the conference centre, discussion of the bombing dominated all other topics.

Their reactions were mostly of shock and outrage. But, while police helicopters hovered and police reinforcements from London patrolled every street corner, one Tory

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## IRA BOMBINGS IN BRITAIN SINCE 1979

**MARCH 30 1979 LONDON** (INLA) Airey Neave killed by a car bomb in the Commons car park.

**JUNE 8 1979 BIRMINGHAM** (*) Five injured as a letter bomb explodes in a sorting office.

**MARCH 7 1980 WILTSHIRE** (IRA) Two injured in explosion at Netherton Army barracks.

**MARCH 7 1980 LONDON** (IRA) Explosion at Hammersmith TA hall.

**MARCH 7 1980 LONDON** (IRA) Explosion at Bromley-by-Bow gasholders.

**OCT 10 1981 LONDON** (IRA) Two killed, 39 injured in a nail bomb attack, Ebury Bridge Road.

**OCT 17 1981 LONDON** (IRA) Lt Gen Sir Steuart Pringle (RM), injured in car bomb attack, Dulwich.

**OCT 26 1981 LONDON** (IRA) Bomb disposal officer killed defusing a device in Oxford St.

**OCT 26 1981 LONDON** (IRA) Bomb outside Debenhams, Oxford St—defused.

**NOV 13 1981 LONDON** (IRA) Bomb explosion at Attorney General's House, no injury.

**NOV 23 1981 LONDON** (IRA) One injured by booby trap bomb, Woolwich barracks.

**JULY 20 1982 LONDON** (IRA) 11 soldiers killed, 59 injured in two bomb attacks, on the Houeshold Cavalry in Hyde Park, and the Royal Greenjackets in Regents Park.

**DEC 10 1983 LONDON** (IRA) Four injured in a bomb blast, Woolwich barracks.

**DEC 13 1983 LONDON** (IRA) Kensington High St, bomb defused.

**DEC 17 1983 LONDON** (IRA) Six killed, 91 injured, Harrods bombing.

**DEC 25 1983 LONDON** (IRA) Two injured in explosion in Orchard St.

**OCT 12 1984 BRIGHTON** (IRA).

Before yesterday 85 people had been killed and 1,385 injured in IRA and INLA attacks since the IRA started its campaign of bombings on the mainland in 1972.

*No responsibility claimed; Irish connection suspected.*

## WORLD NEWS

### Coal talks continue at Acas

The National Coal Board and the National Union of Miners last night agreed to continue their talks into a third day today at the Advisory, Conciliation and Arbitration Service.

But, despite earlier optimism yesterday, hopes are not high.

Miners' president Arthur Scargill said: "The fundamental difference between us remains." Coal Board chairman Ian McGregor said he would "never, never compromise on the board's right to manage." Back Page.

### French Basque alert

More than 1,000 police are on alert in the French Basque region for the first visit to the region by President Francois Mitterrand, who was given a hostile reception.

### Five die in Lebanon

Five villagers were killed by gunmen in the south Bekaa valley area of south Lebanon.

### Grenada coup trial

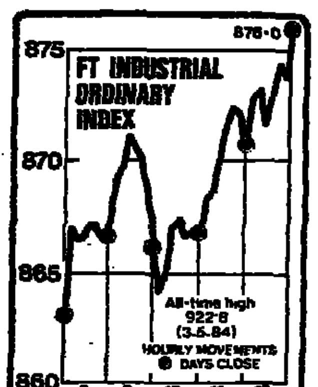
Nine former Leftist leaders, including former deputy Premier Bernard Coard, go on trial in Grenada next week charged with the murder of former Premier Maurice Bishop and seven others in last year's coup.

### Baby killed by stoning

A white three-week-old baby died in hospital in a black suburb of Johannesburg after black youths stoned the car in which the baby's mother was taking home a black servant.

### Portsmouth bomb scare

Portsmouth's city centre was sealed off after the discovery of a large unexploded war-time bomb. Bob Hope's one-man, one-night show at the Guildhall was cancelled.




EQUITIES advanced, following a strong rise in gilts on hopes of a settlement of the miner's dispute. The FT Industrial Ordinary index closed 5.4 up at 876. This represents a gain of 12.8 over the week to the highest level since May 21. Page 28

### British Rail search

British Rail investigators were searching yesterday for clues to what caused Thursday night's train crash in which three people died and 18 were injured at Wembley. Earlier in the rescue operations it had been feared that at least seven had died.

### Hard to stomach

Philippines police said a man ate a hearty meal, then dropped a nine-inch snake into his soup and insisted on not being charged. After that, they said, he swallowed the snake and demanded where the evidence was. He was freed.

Chess: World championship, game 12—Holder Karpov and challenger Kasparov agreed a draw. Karpov leads 4-0.

### Financial Times

We apologise to readers, advertisers and distributors for the shortage of yesterday's FT, due to action by machine manager members of the National Graphical Association. Action by NGA members of the reading department has resulted in an abnormal number of typographical errors in this edition.

## BUSINESS SUMMARY

### Annual rate of inflation falls to 4.7%

ANNUAL INFLATION rate fell to 4.7 per cent last month from 5 per cent in August, lending support to the Government's view that upward pressure on prices remains subdued. The retail price index rose only 0.2 per cent in September, well below most City expectations. Back Page

U.S. BANK certificate of deposit rates fell up to 25 points, following better than feared third quarter results from major U.S. banks. Equity prices continued their recent rally, with the Dow Jones Industrial Average up 7.62 to 1,190.7. Wall Street, Page 26; Bank results, Page 25; U.S. economic statistics, Page 6

JAMES CAPEL, the stockbroking firm which is to be acquired by Hongkong and Shanghai Banking Corporation, is to set up a joint company with Gerrard and National, the discount house, to make markets in gilts. Back Page and Lex

BANK OF ENGLAND made three appointments to the board of Johnson Matthey Bankers and accepted the resignation of three existing directors. Page 24

KUWAIT Petroleum is negotiating to buy the former Gulf Oil UK refining and marketing assets, held by Chevron of the U.S. since its takeover of Gulf. Page 4

DRESDNER BANK of West Germany and Sanwa Bank of Japan have gone into partnership with the Chinese, setting up a leasing company in Peking to help promote Chinese foreign trade. Page 25

RAYBECK, clothing maker and retailer, incurred a £2.61m loss in the 26 weeks to July 28, against a £1.21m profit in the last reported financial period, the 39 weeks to January 28. Page 24; Lex, Back Page

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*For London market and latest share index, 01-246 8026; overseas markets, 01-246 8086*

## MARKETS

**DOLLAR**

New York:
DM 3.116 (3.115)
FFr 9.5525 (9.5555)
SwFr 2.5595 (2.5555)
Y247.75 (248.55)

London:
DM 3.106 (3.096)
FFr 9.52 (9.4925)
SwFr 2.554 (2.5475)
Y247.7 (247.9)

Dollar Index 143 (142.9)
Tokyo close Y248.2

**U.S. CLOSING RATES**

Fed funds 9¾% (9½)
3-month Treasury Bills: 9.88% (9.96)
Long Bond: 102[illegible] (102[illegible])
yield: 12.15 (12.17)

**GOLD**

New York: Comex Oct $341.7 ($338.7)
London: $341.75 ($339.25)

**STERLING**

New York: $1.224 (1.222)
London: $1.2265 (1.2255)
DM 3.8175 (3.7925)
FFr 11.675 (11.6125)
SwFr 3.1225 (3.1225)
Y303.75 (same)

Sterling Index 76.6 (76.3)

**LONDON MONEY**

3-month interbank: mid rate 10[illegible]% (10[illegible]%)
3-month eligible bills: buying rate 10% (10[illegible]%)

**STOCK INDICES**

FT Ind Ord 876 (+5.4)
FT-A All Share 538.25 (+0.2%)
FT-SE 100 1,143.7 (+2.4)
FT-A long gilt yield index: High coupon 10.37 (10.45)
New York: DJ Ind Av 1,190.7 (+7.62)
Tokyo: Nikkei Dow 10,684.58 (−12.28)

Chief price changes yesterday, Back Page

CONTINENTAL SELLING PRICES: Austria Sch 18; Belgium Fr 35; Denmark Kr 7.25; France Fr 6.50; W. Germany DM 2.20; Italy L1,200; Netherlands Fl 2.50; Norway Kr 6.00; Portugal Esc 75; Spain Pta 100; Sweden Kr 6.50; Switzerland Fr 2.00; Ireland 60p; Malta 30c.

Reports by Kevin Brown, Ivor Owen and Lisa Wood. Pictures by Ashley Ashwood

# Brighton at standstill as rescue workers battle to free dead and injured

BRIGHTON WAS a town under virtual siege yesterday as the full horror of the bomb at the Grand began to sink in.

Traffic crawled to a halt in much of the town as police isolated the conference area and rush in teams of anti-terrorist and bomb disposal specialists.

As a blanket of security settled on the seafront, police and firemen were still struggling through tons of rubble to free an unknown number of people trapped in the devastated hotel.

No-one knew just who was in the Grand when the bomb went off, and police and conference organisers were still trying to find some missing residents when the conference opened on schedule at 9.30—more than six hours after the blast.

It was just a few minutes before 3 am when the bomb ripped out the top of the front of the hotel.

The main hotel bar, facing Brighton's elegant promenade was crowded with delegates celebrating the last full day of the conference.

Many were in evening dress, fresh from the Conference Ball at the nearby Top Rank Centre.

Upstairs, on the closely guarded first floor, Mrs Thatcher was working in the Napoleon Suite with Mr John Gummer, chairman of the party. In the room next door, Mr Dennis Thatcher was in bed. Mr Leon Brittan, the Home Secretary, and Sir Geoffrey Howe, the Foreign Secretary, were in their adjacent suites, on either side of the Prime Minister.

On upper floors, outside the tight security cordon surrounding the three great officers of state, were most of the rest of the Cabinet and many of the more prominent junior ministers.

The blast was followed by a deafening roar of masonry as the central section of eight floors fell inwards into the basement and ground floor.

For two minutes there was an eerie silence as shocked victims tried to grasp what had happened. Then the fire alarms began and, just a minute later, the first police car arrived, siren wailing.

Inside the hotel, electric power was cut off, leaving many of the injured in darkness, and water began to cascade into the damaged rooms from smashed storage tanks in the loft.

On the first floor, the Prime Minister, unhurt by the blast, checked on the condition of her immediate colleagues.

At 3.05 am, as Mrs Thatcher dressed, the first fire engines arrived and it became clear that serious damage on the first floor was largely limited to the Prime Minister's bathroom, the study used by the Foreign Secretary, and a nearby suite occupied by Mr Gummer.

At 3.15 am, the Prime Minister, Mr Thatcher, Mr Brittan and Sir Geoffrey left in two black Daimler cars for Brighton police station, from where the Thatchers were taken at 4 am to Lewes police station, where they spent the night.

Slowly, rescuers began to bring out the injured, many of whom were tended in the road outside before being ferried in a fleet of ambulances to the Royal Sussex County Hospital.

Most immediate fears centred around Mr Norman Tebbit, the Trade and Industry Secretary, who fell several floors with his wife Margaret as their bed disappeared into a vast hole in the middle of the hotel.

Mr Tebbit and his wife comforted each other as firemen fought to reach them through mounds of rubble, lit, in the absence of mains electricity, by BBC television arc lights.

Finally, Mrs Tebbit was brought out with neck injuries, but it was 6.40 am, nearly four hours after the explosion, before firemen gingerly carried out her husband.

Rescuers paid tribute to Mr Tebbit's courage as he waited for release, trapped in a crouching position by an electricity cable and piles of brickwork. He was fully conscious as he was stretchered out, and was taken to hospital in obvious pain.

Even less fortunate was Mr John Wakeham, the Government Chief Whip, who was freed at 9.45 am, nearly seven hours after the blast, with multiple injuries.

Hours later, as Mrs Thatcher was making her keynote speech to the afternoon session of the conference, firemen were still struggling, suspended by ropes from the top of the building, to free an unknown number of people still trapped in the basement.

Firemen said the strong construction of the hotel had prevented a worse disaster, but the rescue had been complicated by the danger that even opening the wrong door could have brought tons of extra wreckage down on the heads of the rescuers.

Outside the hotel, there was chaos on the normally elegant Brighton seafront as delegates stumbled from the ruins, many still in evening dress and with their clothes caked in dirt and masonry dust.

Government security men went back into the hotel to rescue dozens of official red boxes containing Cabinet papers.

As they were piled up under guard against the nearest available wall, Sir Keith Joseph, the Education Secretary, appeared on the seafront in dressing gown and slippers, using his red box as an impromptu seat.

Mr Patrick Jenkin, the Environment Secretary, emerged clad in pyjamas and mackintosh, and Lord Gowrie, chief economics spokesman in the Lords, also in raincoat and pyjamas, helped carry deckchairs from the beach for use as emergency stretchers.

Lord Denham, Government Chief Whip in the Lords, stood barefoot on the seafront as he told how dust and rubble had almost choked him.

Mr Nigel Lawson, the Chancellor, left the hotel in a pyjama top and the trousers of his suit.

Mr George Younger, the Scottish Secretary, was trapped on an upper floor for three quarters of an hour before he was able to leave.

A rescue worker among the debris of the Grand Hotel

Bomb experts with sniffer dogs go into the Grand Hotel

# Party leaders decide swiftly to continue conference

THE DECISION to go ahead with yesterday's conference sessions was taken shortly after the bomb explosion.

Mrs Thatcher's first reaction, even before the scale of the atrocity was known, was that there must be no concessions to terrorism.

Standing on the steps of Brighton police station less than an hour after the blast, she told newsmen: "The conference will go on as usual."

As rescuers struggled to free those still trapped in the wreckage of the Grand Hotel, Mrs Thatcher led her party in a surge of anger against the bombers, mixed with determination to frustrate their aims and thankfulness that most Cabinet members were unscathed.

"We were very, very fortunate. You hear about these atrocities, but you don't expect them to happen to you," she said. "But life must go on as usual."

Viscount Whitelaw, the Leader of the Lords, who was staying with friends in Brighton, said: "It's like any other terrorist incident. One has to keep one's feet on the ground."

Standing in front of the ruined hotel, he added: "One must keep a sense of balance and continue with life in exactly the same way as before. If you don't, you are giving the terrorists exactly what they want."

Mr Norman Fowler, the Social Services Secretary, who left the hotel shortly after the explosion, said the decision to go on would be welcomed by delegates "because they will not want to feel that this kind of incident will destroy a party conference, a democratic assembly of this kind."

Mr Nigel Lawson, Chancellor of the Exchequer, who was staying in the Grand, said: "There was no panic. Everyone left in an orderly manner, and I'm not hurt in any way."

Mr Harvey Thomas, the conference organiser, described how he was rescued by firemen after being trapped for an hour in the rubble on the seventh floor.

He said from his stretcher: "I thought it was an earthquake. Then I realised you just don't have earthquakes in Brighton—at least not during the Tory conference."

Mr John Gummer, chairman of the party, who was working with Mrs Thatcher when the bomb exploded, said the main force of the explosion had passed them by.

"We were able to get back and rescue the main valuables in terms of papers and that sort of thing, but everything else has had to be left there," he said.

Mr Gummer said the bombing was "something which no civilised society can possibly put up with.

He said party workers and police swung into action soon after the bomb blast to make sure the conference would open on time.

"By the time the dust had cleared, none of us felt very much like sleep anyway," he said.

As party workers shifted into top gear to prepare the conference centre, others turned to practical problems such as clothes for delegates who left the Grand in their night clothes, among them Dame Janet Hunter, the conference chairman.

That problem was solved by a telephone call to Lord Sieff, president of Marks and Spencer, by Lord McAlpine, the Conservative Party treasurer. Delegates who needed clothes were supplied by the Brighton branch of Marks and Spencer, which called in staff to open early.

The conference hall was half empty as the morning session began at 9.30 am, with many delegates still queuing to pass the tight security at the doors.

Mrs Thatcher took the platform with her husband shortly before 9.30 am, entering the hall without the usual stage managed applause. Delegates were still milling around, but stoped to give the leader a spontaneous standing ovation.

# World heads of state condemn outrage

The Queen, on a private visit in Kentucky, sent a message of sympathy to the Prime Minister saying she was shocked and horrified, and expressing her deep concern. Buckingham Palace said she was being kept fully informed of developments. The Queen is expected back in Britain early on Tuesday.

Messages of sympathy were sent to Mrs Thatcher by President François Mitterrand of France and M Gaston Thorn, president of the European Commission.

Mr P. W. Botha, the South African President, also sent a message of sympathy.

Sig Bettino Craxi, the Italian Prime Minister, sent a message to Mrs Thatcher expressing strong solidarity.

King Juan Carlos of Spain and Queen Sofia sent a message expressing their grief.

Chancellor Helmut Kohl of West Germany expressed shock and condemned the "incomprehensible act."

Mrs Indira Gandhi, the Indian Prime Minister, said in a message to Mrs Thatcher that all terrorism and violence was contemptible and should be condemned.

King Hussein of Jordan expressed his "deep shock and anger" at the "despicable, dastardly and criminal" attempt.

The American Ambassador in London, Mr Charles Price, was at the scene at the time and witnessed "both the devastation and the superb rescue efforts by local authorities and the citizens of Brighton."

Mr Neil Kinnock, the Labour Party leader, sent a message to the Prime Minister expressing his horror. He said: "I am horrified and outraged at this terrible atrocity and naturally relieved to hear that you and your colleagues have escaped injury.

"I hear that you are carrying on with your normal engagements. That is good. It is the way that we must respond to such vile acts in this democracy. There can be no concession to the murdering madness of those who commit crimes like this bombing. They are the sworn enemies of all the people of normal mind and reasoning politics."

Dr David Owen, Leader of the Social Democrats, expressed his "anger that such an outrage should have occurred at a democratic conference."

Mr Alan Beith, the Liberal Party chief whip, in the absence of Mr David Steel, the party leader, who is abroad, said the Liberals were "appalled" by the bombing.

Mr Norman Willis, the TUC general secretary, described the events as "sickening, to be condemned by democrats everywhere."

Mrs Shirley Williams, president of the SDP, said: "We deeply deplore this unacceptable violent and cowardly act. We share the distress of the relatives of those killed

# 'The enemy of us all'—FitzGerald

By Brendan Keenan in Dublin

DR GARRET FITZGERALD, the Irish Prime Minister, said the bombing would not make co-operation between the British and Irish Governments more difficult but rather made it more necessary.

The character of Mrs Thatcher and the British people, he said was such that they would not be deflected from what they thought were correct policies.

The bombing would create worldwide revulsion against the IRA.

"People are very clear that the IRA are outlaws and alien in these islands—and that what they do in no way represents the Irish people.

"Events of this kind go to show there is one common enemy—the terrorist, the enemy of us all—whether it is the British people, the Irish people or the unionist population of Northern Ireland."

Mr Charles Haughey, the Irish Opposition leader, telephoned the British Ambassador in Dublin Mr Alan Goodison, to ask him to convey his dismay at what he called "this outrage" and his deepest sympathy with the injured and bereaved.

# Grim reminder of the deadly power of the IRA

## Brendan Keenan reports on the tactics of terror

THE BOMBING is a grim reminder that the Provisional IRA retains the capacity to cause death and destruction in the British mainland as well as in Northern Ireland, perhaps not exactly at will but certainly when the opportunity and motive present themselves.

There have been strong hints for some time that the Provisionals might revert to the use of bombs as a result of the continuing argument, within the organisation between the advocates of purely violent methods and those who want to mix "controlled" violence with electoral politics—what has been called the "Armalite in one hand and ballot box in the other" approach.

The failure of Sinn Fein, the Provisionals' political wing, to overtake the main Northern Ireland nationalist party, the Social Democratic and Labour Party in the polls appears to have strengthened the hand of the militants. The advocates of an emphasis on the ballot box were probably at their strongest last Christmas, when, after the bombing at Harrods store in London, the IRA took the almost unprecedented step of saying it had not authorised the attack.

Sinn Fein leaders such as Mr Gerry Adams, the party president and West Belfast MP, were critical of the damage such attacks could do to their strategy of winning electoral support in Ulster while wooing British politicians, particularly on the left. Their position is not nearly so strong now, after Sinn Fein's poor showing in the European elections in June, when the SDLP leader, Mr John Hume, MP, polled 147,000 votes against the 91,000 for Sinn Fein's Mr Danny Morrison.

The IRA, not for the first time, has also struck hard just when it appeared to be under considerable pressure. The seizure of a large quantity of arms on the trawler Marita Anne off the south-west Irish coast two weeks ago was a severe blow to it. The arms had been shipped from the U.S. and the failed operation will have cost the IRA a very large part of its funds which are becoming increasingly difficult to obtain.

The discovery of a bomb factory and the arrest of those present by police in Dublin recently, was also seen as important by security forces north and south. Last March, three men were arrested separately in London, Belfast and Dublin and charged in connection with bombings in London in 1981. Those attacks included the planting of a bomb in Oxford Street which killed a bomb disposal expert, and the wounding of Sir Stewart Pringle, then Commandant of the Royal Marines.

Perhaps most worrying for the security forces, is that the Brighton bomb shows the IRA still has "active service units" in England, probably based in London, despite the arrests. IRA tactics have become much more refined since the early 1970s, when bombers were sent from Ireland to carry out the operations, and several were picked up.

The best evidence is that the IRA operates "sleepers" in Britain, who spend long periods working and living normally, and staying away from obvious Irish haunts. When an operation is planned by the IRA, they send someone from Ireland to carry it out with the "backup" provided by sleepers.

Yesterday's bombing must revive fears that the IRA may be in a position to carry out attacks in London this Christmas—a favourite tactic in the past.

Anti-bombing measures in Ulster have been reduced in recent years as the IRA confined itself largely to attacks on members of the security forces, often part-time members of the police, or Ulster Defence Regiment. The security barrier-checks around the centre of Belfast were relaxed some time ago, and

That has angered IRA militants, who say the authorities have taken advantage of the political approach to claim to be getting on top of violence. A major explosion in Newry during the summer was described by one leading Republican as "an experiment" which the IRA would analyse to compare the effects of the result of the publicity with the damage such bombings do to Sinn Fein's popularity.

The conclusions from this grizzly research are known only to the IRA and it is unlikely in any event that they could ever have resisted the opportunity to strike directly at a British Prime Minister and Cabinet if it presented itself.

Nevertheless, the Brighton bombing appears to run counter to another argument advanced by the Sinn Fein leadership which is that it would be best to encourage a sense of complacency in the British Government.

The argument runs that an all-out electoral challenge to the SDLP or a major bombing blitz in England would only encourage British ministers to co-operate with Dublin on a political initiative along the lines advocated by Mr Hume and Dr Garret FitzGerald, the Irish Prime Minister.

The Brighton bombing, unlike many previous outrages, comes at a time when serious political discussions are under way and within a few weeks of a meeting between Mrs Margaret Thatcher and Dr FitzGerald. The Irish Government's main concern has been to persuade Mrs Thatcher that Northern Ireland requires serious and urgent political action.

The bombing, however tragically, is bound to make that part of their path easier.

London is most interested in Dr FitzGerald's ideas for creating security arrangements with which Ulster Catholics could identify as the best way of isolating and eventually defeating the IRA. The problem is that such arrangements involving the Republic (in ways as yet unspecified) in Ulster security is bound to alarm unionists.

The gap between the two Governments was spelt out by the new Northern Ireland Secretary, Mr Douglas Hurd, at yesterday's debate in Brighton. Mr Hurd said that none of the three options outlined by the main southern Irish parties and the SDLP in the report of the New Ireland Forum would be acceptable for the foreseeable future to the majority in Northern Ireland and these options were a United Ireland, a federal/confederal Ireland or the one most frequently mentioned — joint authority, between the Republic and Britain in the Province.

At Brighton, the IRA got closer to the centre of British political life than ever before. It was an undoubted military coup for them, but at a time when Dublin and London are working more closely together than ever in the search for a political settlement it could in the long run prove a costly mistake.

# Ulster leaders join chorus of revulsion

By Our Belfast Correspondent

THE BOMBING was strongly condemned by Northern Ireland's political parties, with the exception of Provisional Sinn Fein.

The Rev Ian Paisley, leader of the Democratic Unionist Party, sent a message to the Prime Minister expressing deep sympathy.

He said: "Northern Ireland people, during the past 10 years know exactly what these bombings are like, and the sorrow and pain they inflict

Mr John Hume, leader of the Social Democratic and Labour Party, called it an attack on democracy itself. His party sent a message of sympathy to the Conservatives.

In another message handed in at 10 Downing Street, Mr James Molyneaux, the Official Unionist Party leader, said Unionists knew that Mrs Thatcher would

# Informal security in stark contrast to U.S.

## Andrew Arends on how America guards politicians

THE RELATIVE informality at the Grand Hotel during the Conservative conference is in stark contrast to the tight security apparent at similar events elsewhere, notably in the U.S.

Security for President Ronald Reagan is much tighter than that for Mrs Margaret Thatcher, not surprisingly given that the President has already survived one assassination attempt.

President Reagan is continuously guarded by a phalanx of secret service men, one of whom never leaves his side. Whenever the President is to travel anywhere, the secret service, the wing of the U.S. Treasury Department historically responsible for the President's safety, dispatches a number of agents, weeks before, to "advance" the site, and prepare security arrangements.

Conservative Party conference, the Republican convention, security was "tighter than a drum," according to one party official.

At the convention in August, the presidential party occupied an entirely separate building, a new section of Loew's Anatole Hotel, in Dallas, construction of which was accelerated to accommodate the President.

Secret service men had been "securing" the hotel for over a month, one Washington official said yesterday. "And for the week before the convention began, the place was completely sanitised."

Access to the building during the convention was strictly Reagan-Bush staff, authorised to be there. All staff members in contact with the President had been screened long beforehand, by the U.S. law enforcement agencies such as the FBI, and the secret service.

Staff members requiring regular access to the President were issued with special lapel pins, clearly identifying them as authorised personnel. These pins were invariably changed daily. Even with thes pins, staff were stopped at regular check points, and asked to produce their credentials in order to pass.

One White House aide at the convention said: "No unauthorised personnel could have made [illegible] Reagan's hotel, night or day."

Even journalists have to have special secret service security passes, which have to be displayed at all times. And in Dallas, even star television journalists, with faces at least as familiar as the President's had to be checked for their credentials, and then escorted by secret service men to their destination at the President's wing.

While the American secret service refused to comment on the President's security arrangements at all, other government and ex-government officials, with experience of security details, were surprised at the apparent free access to the Brighton Grand Hotel on Thursday evening and Friday morning.

"Common sense is the best weapon against these sorts of attacks," one former official said "and when you put most of your government in one location, you had better make sure that not just anybody can wander in."

Some U.S. officials expressed shock at the ease which the IRA had in launching the attack.

None the less, said one: "It remonstrates how easily determined terrorists can break through the best security arrangements."

Moreover, when the two countries' security arrangements have overlapped, as with the June economic summit in London, U.S. officials have been pleased with the British security set-up



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# Prompt start for inquiry into outrage at Grand Hotel

AN INQUIRY into the Grand Hotel bombing is to be carried out by Mr John Hoddinott, deputy Chief Constable of Hampshire.

Mr Roger Birch, the Chief Constable of Sussex, announced the inquiry yesterday, amid mounting concern over security precautions at the conference.

Mr Hoddinott drove to Brighton yesterday, and began immediate investigations in what was intended to be a wide ranging inquiry into all aspects of conference policing.

Mr Birch said security was tougher than at past conferences, but conceded that the bombers had found a gap in his precautions.

He indicated that security planning had concentrated on controlling an expected lobby by striking miners rather than preventing a terrorist attack.

"It would be easier to anticipate that we would have demonstrations and violence of that sort, rather than explosions, but we did not discount them in our plans," he said.

Mr Birch said the bomb attack "must raise question marks" for police and security officers in charge of future conferences.

However, he allowed the final day of the conference to go ahead as planned.

"We were quite happy that, provided we were a little more stringent than we have been, that it would be safe to carry on," he said.

Mr Birch said total security at conference hotels was impossible in a democratic society.

"It is quite impossible to search everyone going in and out, bearing in mind that even a small amount of explosive can cause a huge amount of damage," he said.

The police presence in Brighton had been heavy throughout the week and, for the first time, passers-by were prevented from walking on the forecourt of the Brighton Centre, where the conference was held, being forced to walk in the road instead.

The bar at the Grand Hotel, which is normally open to the public, was closed to all but conference delegates, observers and guests, and bags were searched at the Brighton Centre.

However, there were no metal detectors and no search of bags at the Grand. Many bona fide conference passholders said they had been able to enter the hotel without a check on passes, and there was no procedure, either in the conference centre or in hotels, for checking that pass-holders were who they purported to be.

Mr Leon Brittan, the Home Secretary, said there was no way that total security could be guaranteed. "You could not run a conference like that," he said.

Mr Brittan said there had been no advance warning of the bomb. He promised a full inquiry into security.

Viscount Whitelaw, Leader of the Lords and a former Home Secretary and Northern Ireland Secretary, said: "There is no such thing as perfect security in any organisation. There cannot be. But the security in my judgment was very well done."

He added: "The police had a desperately difficult task. I think they have done it extremely well but we shall have to wait for the inquiry to find out."

Mr Douglas Hurd, the Northern Ireland Secretary, said it was "foolish" to speculate on the possibility of an "autumn offensive" in Britain by the IRA.

He said it was doubtful that the attack was connected with yesterday's conference debate on Northern Ireland but he added: "It does bring home to people forcefully the kind of experiences which many people in Northern Ireland have endured these past years."

Mr Hurd said he was grateful for a message of sympathy and solidarity sent by Dr Garret FitzGerald, the Irish Prime Minister.

He refused to speculate on what new initiatives Dr FitzGerald and Mrs Thatcher might agree at the next Anglo-Irish summit but he stressed: "It is clear that both the principals are anxious to deepen the relationship they have established already."

Mr Hurd declined to say what action he might take as a result of the bombing, except to continue a firm security policy.

Mr John Gummer, the chairman of the Conservative Party, said: "The terrible thing is that anyone is prepared to do this, and if it is the IRA it is yet another example that those are people who have no interest in democratic decisions.

"They are concerned to bomb their way into power and this Government will never give way to bombs. We will not give way to bombs in Britain any more than we will

# Victory for miners by violence 'would be defeat for democracy'

IF THE striking miners are able to gain by violence what they cannot achieve by negotiation, it will be a defeat for democracy, Mrs Margaret Thatcher, the Prime Minister, warned yesterday in her warmly acclaimed speech to the Conservative conference in Brighton.

She described the strike as a battle between the extremists and the rest, and told her supporters in the crowded conference hall: "The nation faces what is probably the most testing crisis of our time."

To tumultuous applause, which was sustained through a standing ovation lasting some eight minutes, the Prime Minister promised: "This Government will not weaken. This nation will meet the challenge. Democracy will prevail."

While her supporters demonstrated that their admiration for her has reached new heights in the wake of her remarkable escape from injury in the IRA bomb attack on the Grand Hotel and her coolness and courage in responding to it, Mrs Thatcher was clearly determined that the impact of the outrage should not obscure the concern she feels over the issues at stake in the miners' strike.

The Prime Minister was insistent that the Government was not responsible for the nation's having to experience seven months of an agonising strike.

To cheers, she declared: "Let me make it absolutely clear. The miners' strike was not of this Government's seeking, nor of its making."

Mrs Thatcher stressed that the strike had been called even though the National Coal Board had produced its best-ever offer, coupled with the highest ever investment in the industry and, for the first time, the promise that no miner would lose his job against his will.

The offer had been made, she said, even though the coal industry was making enormous losses—£1.3bn last year—equal to the sum paid out in salaries to all the doctors and dentists in the National Health Service.

Mrs Thatcher declared: "This is a dispute about the right to go to work of those who have been denied the right to go to vote."

She said it must never be forgotten that the overwhelming majority of trade unionists, including many striking miners, deeply regretted what had been done in the name of trade unionism.

When the strike was over, everything possible must be done to encourage moderate and responsible trade unionism so that it could once again take its "respected and valuable place" in Britain's industrial life.

Condemning the executive of the National Union of Mineworkers—but without mentioning the name of Mr Arthur Scargill, the union president—the Prime Minister said they knew that what they were demanding in relation to the closure of uneconomic pits had never been granted either to miners or to workers in any other industry.

The Prime Minister challenged: "Why, then, demand it? Why ask for what they know cannot be conceded?"

"There can be only one explanation. They did not want a settlement. They wanted a strike. Otherwise they would have balloted on the Coal Board's offer."

Mrs Thatcher praised the bravery of the miners who were facing the violence of the picket lines as they continued to work, and scornfully rejected the description of "scabs" applied to them by their former workmates.

She said: "They are lions. What a tragedy it is when striking miners attack their workmates. Not only are they members of the same union, but the working miner is saving both their futures."

Mrs Thatcher acknowledged that Thursday's debate on unemployment had reflected growing unease in the party over the issue, but refused to heed the few isolated calls for an alternative policy.

She maintained that it was the spirit of enterprise which provided new jobs, and claimed that the Government was helping to encourage it by cutting taxes, reducing inflation and keeping costs down.

The Prime Minister seemed to lift the veil on some earlier Cabinet discussions when she explained that her response to demands for more capital investment was to ask the minister concerned where compensating expenditure cuts could be made in his own or in some other department.

The only other alternative, she said, was to ask Mr Nigel Lawson, the Chancellor of the Exchequer, which taxes should be put up.

Mrs Thatcher reaffirmed her opposition to any increase in income tax—"it is already too high"—and made it clear that she would be reluctant to ask the Chancellor to consider increasing VAT.

Mrs Thatcher confirmed that the biggest ever act of denationalisation—the impending sale of share in British Telecom—would be followed by further instalments in the Government's privatisation programme before the next general election.

She implied that she still saw the Labour Party as the main challenger to the Conservatives, and forcefully restated her belief that its commitment to unilateral nuclear disarmament would prove disastrous.

The Prime Minister predicted that the nation would give one answer — "No defence, no Labour Government."

She contended "No one in their senses wants nuclear weapons for their own sake. But equally, no responsible Prime Minister could take the colossal gamble of giving up our nuclear defences while our greatest potential enemy kept theirs."

## Defiant Thatcher attacks IRA

RESOLUTE and defiant, the Prime Minister denounced the IRA bomb attack as an attempt to cripple Britain's democratically elected Government.

Praising the calm and firmness of purpose which had enabled the conference to run its full course despite the outrage, Mrs Thatcher declared: "The fact that we are gathered here now, shocked but composed and determined, is a sign not only that this attack has failed, but that all attempts to destroy democracy by terrorism will fail."

She said the bomb attack at the Grand Hotel was first and foremost an inhuman indiscriminating attempt to massacre innocent, unsuspecting, men and women staying in Brighton for the Conservative conference.

Mrs Thatcher acknowledges her standing ovation

# Bomb attack 'will not shake our resolve'

THE BOMB OUTRAGE will not shake the Government's resolve in carrying forward the work in which it is engaged. Mr Douglas Hurd, said yesterday in has first major speech as Northern Ireland Secretary.

Mr Hurd was replying to the Northern Ireland debate the first debate of the day, only hours after the bomb attack.

The Prime Minister was applauded and cheered as she took her place on the platform at the start of the debates.

She was flanked by Viscount Whitelaw, deputy Prime Minister, and the members of the Cabinet, with the exception of Mr Norman Tebbit.

Because of intense security at the doors of the conference centre, where policemen took statements from guests at the Grand Hotel, only a sprinkling of representatives were in the hall.

Mrs Thatcher slipped in the front of the conference centre as a nine-car decoy was driven round the back of the hall, with motorcycle outriders.

Then Mr John Gummer, the party chairman, went to the rostrum and, his voice breaking with emotion, said: "We intend to continue with our conference in exactly the way we would have done had this outrage not happened."

After applause, he continued: "We shall do so because those who wish to intimidate democracy must be shown that, whatever means they use, those means will fail.

"We do, of course, know that there have been some deaths, and a number of injuries. We don't know the full extent of those yet."

He called for two minutes' silence for the victims of the blast. The conference was then led in prayer by a local clergyman, then went straight into the debate.

As Mr Hurd spoke, Mrs Thatcher's eyes appeared to well with tears, but she controlled her emotion and applauded his commitment to counter the challenge of the terrorists.

Mr Hurd said those who planted the bomb may have been "moved by killing for the sake of killing, but perhaps they hoped to shake our resolve, your resolve, in carrying forward the work in which we are engaged," said Mr Hurd. "If so, they were deeply and totally mistaken.

"Our system is stronger than theirs. The democracy which we have inherited will outlive their bombs and their bullets, and this party will be debating its policies in freedom after they and their deeds are obliterated and forgotten."

Mr Hurd spoke of the achievements of the last few years, and the work of Mr Jim Prior, his predecessor.

"In Northern Ireland the past three years have been a time for slow, and still incomplete healing," he said.

There had been a significant drop in the casualties from the "campaign of terror." In 1979, 113 people died as the result of terrorist violence. Last year the total was 77. So far this year, it was 52. There were now 9,000 regular troops in the province compared with 22,000 at the peak 12 years ago.

"There is greater stability in both communities than for a number of years, and there is a feeling that new efforts can be made to bring an end to the conflict."

Turning again to the Provisional IRA, he said some people donated money to them out of their feeling of vague goodwill towards a romantic purpose.

"They are not buying the unity of Ireland," he said. "They are overwhelmingly buying the death of Irishmen. There is no heroism in the violence of the Provisional IRA or of any other terrorist group. There is only ugliness, futility and grief, and we will have no truck with it."

The debate, in which constant reference was made to the bombing, was thrown into some consternation when Mr John Rutherford (East Surrey) said Ireland was a natural geographical unity and should one day have a single political unity.

Cries of "Traitor" erupted from the floor, and the chairman had to break in to quieten delegates.

Mr Rutherford said that a united Ireland could not be achieved against the wishes of the majority in Northern Ireland. "I believe it should be our long-term policy to find a method of unifying Ireland with the consent of both sides of the country."

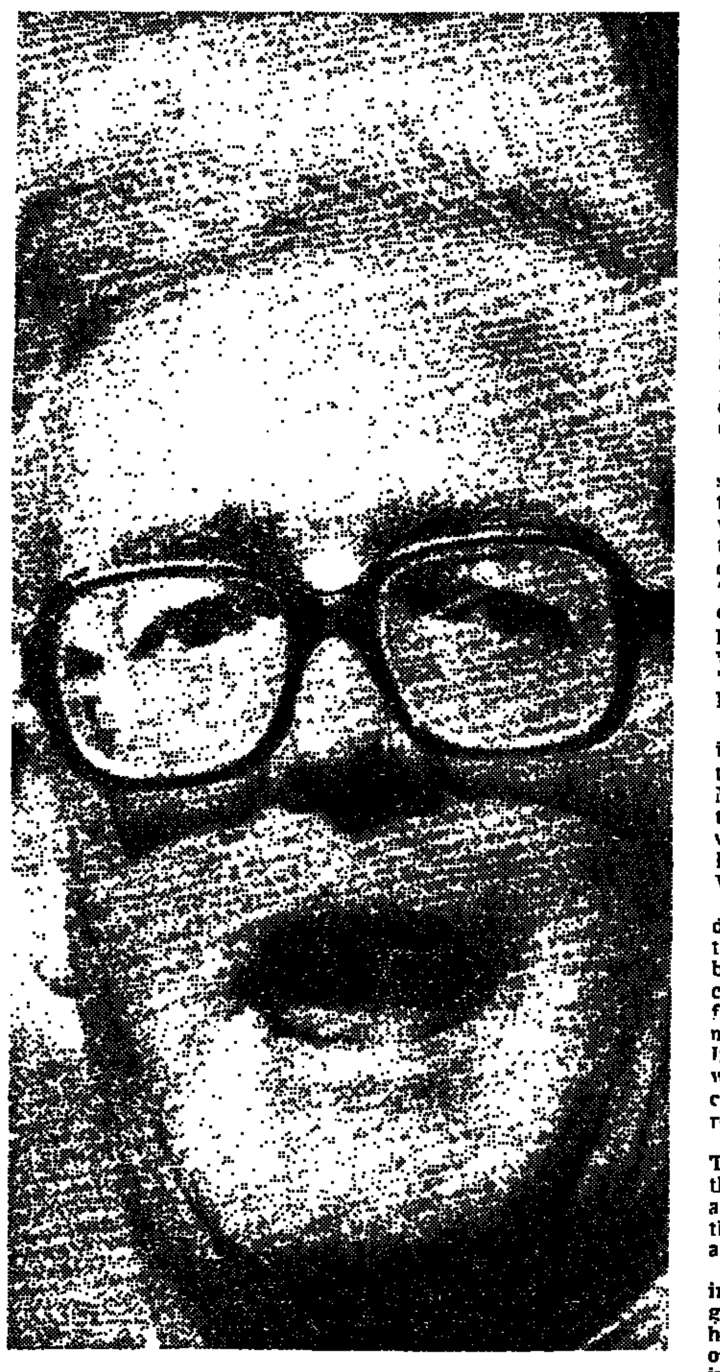
Mr Rutherford alos shook past criticism of bias and delegates when referring to violence within the Royal Ulster Constabulary. He said: "It will take them a long time to live down that reputation."

His remarks on the RUC were strongly rebuffed by Mr John Taylor, Official Unionist MP for Strangford.

Mr Taylor, who was staying on the fifth floor of the Grand Hotel, said: "It was a terrible experience—one I don't want to experience again.

"I have had personal experience of terrorism myself, having had seven IRA bullets through my head when I was in Northern Ireland as a Minister at Stormont in charge of security. I have had three properties bombed over the last 10 years, including one last year, but I was never closer to a bomb than I was last night."

The conference approved a motion affirming strong support for the armed forces and police in Ulster, and urging Mr Hurd to continue the search for "a just solution"



Mr Douglas Hurd: Democracy will outlive bombs and bullets

Margaret van Hattem traces the career of Sir Anthony Berry

# Kemsley's son was deputy Chief Whip

SIR ANTHONY BERRY, 59, son of Viscount Kesmley, and a former deputy chief whip, was appointed by Mrs Thatcher last year to take charge of liaison between Conservative Central Office and No. 10 Downing Street, working closely with Mr John Gumner, the party chairman.

Knighted in the 1983 dissolution honours, he entered parliament in 1964 holding the seat of Enfield Southgate for the next 20 years.

Educated at Eton and Christchurch, Oxford, he joined the Sunday Times, and became its assistant editor in 1952.

He was a director of Kemsdew Newspapers from 1954 to 1959. He later became a deputy chairman of Leopold Joseph and Sons.

slow in taking off. Heserved as parliamentarly private secretary to Mr Peter Walker in the Heath Government.

In 1975 he was appointed an opposition whip, stayed on as a junior whip in Mrs Thatcher's first government and rose to be deputy chife whip in 1981.

A popular but rather reserved man, he remained in the background until his arrest in April this year for driving with twice the legal limit of alcohol in his blood.

Publicity surrounding the court hearing in August during which it emerged that Sir Anthony had injured a policeman and driven at speed through a red light in his attempt to escape arrest was widely felt to have ended all hopes he may have had o ffurther promotion, and possibly

# Thatcher accused of deceit in pit strike

By Margaret van Hattem, Political Correspondent

MR NEIL KINNOCK, the Labour Party leader, yesterday accused Mrs Margaret Thatcher, the Prime Minister, Mr Peter Walker, the Energy Secretary, and Mr Norman Tebbit, the Industry Secretary, of deliberately deceiving the country about the miners.

Speaking in his Islwyn constituency, Mr Kinnock said that the pit closure procedures which the miners were fighting to preserve were not those caricatured by the Government. The procedures provided for closure of pits with "large outputs and reserves of coal" which miners accepted were "exhausted" as defined by the Plan For Coal.

The procedures had never implied that the miners wanted to "produce mud" as the Prime Minister had claimed, or that the National Union of Miners wanted pits kept open until the last ton of coal had gone, as Mr Walker had claimed.

Mr Tebbit was equally deluded when he claimed that the problem of closures could be settled if it were left to "the chaps concerned at pit level" for that was precisely what miners were trying to ensure. Instead the National Coal Board was trying to ensure that the chaps at pit level were disregarded.

"Mrs Thatcher, Walker and Tebbit cannot be so stupid that they fail to understand that, and the only conclusion can be that they are being deliberately and systematically deceitful."

Government claims that their investment programme was generous were also misleading, he said. More than four-fifths of coal investment was going into new development in a number of areas in Eastern England. Thus claims that redundancies would be voluntary were false. For in coalfields with up to 21 per cent unemployment, there would be no more jobs locally.

Even if there were jobs in other coalfields, those wishing to moxe to take them up would be unable to sell their houses

He said the oGvernment claimed they showed their faith in the mining industry by making subsidies equivalent to £130 a man. That faith was not very impressive, considering that that cost of putting the same man out of work in areas where there was no other work would be at least £6,000 a year.

The Government had also miscalculated badly on the cost of the strike. In March this year it said it was necessary to cut coal output by 4m tons and coal board losses by £350m in order to bring output into line with the market. Seven months later more than 54m tons of coal output had been lost ad independent estimates put the cost of the dispute at £3.5bn.

"The Government and its supporters say that all the shambles of losses and conflict and costs is the price that has to be paid to 'save democracy'," he said. "If it was, it would be worth paying double and more. But it is not the price for democracy, it is the price of the Prime Minister's incompetence and bigotry."

● Mr Kinnock is reported to have had secon dthoughts about deliverying this speech following the bombing in Brighton

# Joseph pledge on head teachers

GREATER encouragement is to be given in "even more careful selection" of head teachers, Sir Keith Joseph, the Education Secretary said yesterday.

He was replying to a motion on education which, while applauding government initiatives to raise standards, asked that more should be done to equip children with skills relevant to modern Britain.

In discussing concern about lack of discipline in schools Sir Keith said: "We can all recognise that the discipline and values in a school depend crucially on the nearest thing we have to a magic wand in education, the head teacher." Not only was selection of head teachers going to receive more attention but more training was going to be devoted to them.

The issue of "peace studies" and Left-wing propaganda in the school curriculum has received considerable attention in the debate with calls for the Government to pay more concern to the issue. Sir Keith said: "The Government can only make sure that ibas does not creep in if the public complain."

He urged parents with complaints to make group representation. "I accept that there is real concern but I think the the use of the remedy must remain in the hands of parents."

The debate emphasised relevance in the school curriculum and Sir Keith said students were switching from humanities and the arts to science, technology and engineering in universities and polytechnics.

The arts should not be forgotten, he said. "We need philosophy and physics . . . because we live in a world that reflects not only science and technology but the social values that we inherited from the past and that are modified as we go on into the future by those who study them and try to talk about them."

He spoke of his recent initiatives on the quality of teaching, the motivation of pupils and the current national consultation on the school curriculum. It was the latter issue, and in particular peace studies that had drawn considerable passion from the floor.

Lady Olga Maitland (North Norfolk), of the Women and Families for Defence, spoke of the anti-patriotic propaganda that was being taught in so-called peace studies.

Sir Keith Joseph: Even more careful selection needed

# Guidance for magistrates on 'sensitive' cases

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

LORD HAILSHAM, the Lord Chancellor, yesterday gave magistrates guidance on "politically sensitive" cases.

He told the annual meeting of the Magistrates Association there were one or two rules of commonsense law which were apt to be overlaid or forgotten in a welter of rhetoric or a fog of pettifogging legalism.

In a free country like Britain, there was freedom to demonstrate or strike, provided it was not done in a way that contravened the law.

The purpose of demonstrating or striking was in most cases irrelevant to the administration of justice.

A malicious, foolish or wanton motivated, or at least sincere series of acts might be against the law if done illegally, or accompanied by illegal acts designed to further what might otherwise be a perfectly praiseworthy cause.

"We who have taken the judicial oath cannot choose what laws we enforce, or what acts we allow to go unpunished, by reference to our private standards or values," Lord Hailsham said.

He said that if a court was flooded by a sudden flow of cases—such as was currently happening in some Midlands and northern England courts because of the miners' strike—they should not hesitate to ask

# Solicitors study computer register of homes on sale

BY JASON CRISP

SOLICITORS may soon set up a computerised national register of homes for sale. The Law Society has commissioned a study into an advanced communications system which would make it possible and it could go into service late next year.

If it goes ahead the system could be of considerable help to lawyers moving into property-selling services. Someone wanting to move to another part of the country could find out what property was available in the area from a computer terminal at a local firm of solicitors.

Solicitors in Scotland are already allowed a role in property selling and this is expected to be extended to England and Wales by the end of the year.

The proopsed national house register would be part of a computer-based communications system being considered by the Law Society. A report on the impact of technology on the profession was recently presented to the Law Society Council. It recommended that the society should take immediate steps to set up an electronic mailbox network within the profession.

An electronic mailbox is a computer which stores messages. Someone sends or receives the message from an office terminal to the central computer via a telephone. Electronic mailboxes have been growing very rapidly in the U.S. Several services exist in the UK including British Telecome Gold and Easylink, a joint venture between Cable and Wireless and Western Union.

The Law Society has commissioned Technology and Law, an independent consultancy, owned by the legal profession, to conduct an urgent appraisal of possible systems. It has been asked to report by early next year.

The mailbox could theoretically handle much of the vast amount of communications between firms of lawyers.

## Littlewoods to shed 600

BY NICK GARNETT, NORTHERN CORRESPONDENT

THE Littlewoods organisation is to cut 600 jobs at five centres in its mail order division over the next two years, largely as a result of reorganisation and computerisation.

The company, which reduced its workforce by almost 2,000 last year rationalising its retailing, mail order and head office operations, said the changes were designed to improve its position in the mail order market.

The job losses at Littlewoods will all be in the north of England with the largest number in the centre of Liverpool. The other centres affected are: Crosby, also in Merseyside, Oldham, Preston, and Sunderland.

The company, th email order division of which is the UK's second largest after that of Great Universal Stores, said it hoped natural wastage, redeployment and voluntary severance would absorb the losses.



# Former Gulf assets in UK sought by Kuwaitis

By Dominic Lawson

THE Kuwait Petroleum Corporation is negotiating with the U.S. oil company Chevron to buy Gulf Oil's former UK oil refining and marketing assets.

The state-owned Kuwaiti company had previously attempted to buy the assets when they were under the control of Gulf, but the talks were aborted, mainly due to disagreements over the value of Gulf's share in a catalytic cracking unit at Milford Haven.

Now the Kuwaitis will be negotiating with Chevron, which earlier this year took over Gulf for $14bn (£11.4bn).

The former Gulf assets consist of 400 petrol stations—about 2.5 per cent of the UK market—a 1,000-barrel-a-day refinery and an 80,000 b/d catalytic cracker.

The Kuwaitis have a long-term strategy of acquiring downstream assets in Europe

In recent years KPC has bought Gulf's downstream assets in Belgium, Denmark, Italy, Luxembourg, the Netherlands and Sweden. Hitherto neither Kuwait nor any Organisation of Petroleum Exporting Countries have acquired any UK downstream assets.

## British Midland seeks 4% fares rise

BRITISH MIDLAND AIRWAYS, the independent airline which competes with British Airways on domestic trunk air routes, is seeking increases of 4 per cent from November 1.

This will raise its London Heathrow to Glasgow, Edinburgh and Belfast fare from £55 single to £57. British Airways is studying the position, and also may seek rises.

If it does not, the gap between BMA's rate and the present BA Super Shuttle single fare to Scotland of £58 will have been significantly narrowed, from the existing £3 to £1.

## Steel output highest since March

STEEL output in Britain last month reached its highest level since March at an average of 313,300 tonnes a week. This was 32 per cent up on the August holiday moth figure.

In the first nine months of this year, production aceraged 289,700 tonnes weekly, just 0.3 per cent more than the same period of 1983.

Arthur Sandles on a victim of the fight for next year's holiday bookings

# Sunburst overshadowed by a battle of giants

THE DIRECTORS of the Granada Group took a final despairing look at the figures for their tour operating activities this week and decided to call it a day.

In a year when leading tour companies Thomson and Intasun were battling for bigger market shares Granada's Sunburst subsidiary "just got thumped" in the words of Mr Bryan Quilter, the group director responsible for package tourism.

Sunburst was licensed to carry nearly 35,000 customers last summer, mainly to Mediterranean caravan sites. There are probably dozens of tour companies in the 20,000-70,000 capacity range which would love the financial muscle and commercial courage simply to pack up and leave the stage. They, like Sunburst, are finding it difficult to live in the heat created by the battle of the giants.

Granada bought Sunburst in 1982 in the form of the MCH Group, a company concentrating on low cost holidays. It was to be the base from which the group would move further into the travel business.

Unfortunately the purchase coincided with a period when an over-supply of hotel rooms and aircraft seats, coupled with a relatively strong pound, was bringing the price of package tours tumbling.

As the big boys used their buying power to exploit these factors and cut prices so the cost of a hotel based tour to Majorca came perilously close, and sometimes below, that of a caravan trip.

Sunburst is not the only company to have felt the difficulties resulting from the battle. Two tour companies have ceased trading in recent weeks, several have not applied for licences for 1985 (in other words, like Sunburst, simply faded away) and there are rumblings of more troubles to come.

**A top level chess match between the two powers behind their operations.**

The stage for those troubles will be set finally in a little over a week when Intasun will unveil its programme and prices for next summer.

By launching now, Intasun has abandoned its ploy for 1984 when it waited until close to Christmas before launching—thus giving Thomson and Horizon two months to mop up the early bookings. Most observers saw this as a disastrous move and to some extent Intasun, headed administratively by Mr Roger Heape, a former Thomson man, has tacitly agreed by reverting to its former pattern.

Having settled timing, now the trade will be watching for price. Horizon and Thomson have tried to increase prices—up as much as 20 per cent for holidays to Spain. If Intasun does not follow, then a price war would seem to be inevitable with Horizon and Thomson both relaunching their programmes.

To some extent this can be painted as a top level chess match between the two powers behind their operations. Mr Harry Goodman, Intasun chairman, is without doubt the man who will make the final decision on what level prices should be pitched.

Mr Roger Davies, chief executive of Thomsons travel empire of tours, aircraft and hotels, is the one who gives the final go-ahead to any reaction.

All main tour companies print their brochures in batches which, with modern printing technology, is no particular problem. The price panels can be changed at the touch of a button and new editions rolled off the presses.

If there is to be another price war it would probably be timed for just before Christmas. Thus, whoever initiates the battle hopes to have the new prices, and new campaign, carefully plotted for the festive TV screens and announced too late for the rivals to produce new advertising, or get those brochures into travel agents, until the New Year.

Mr Eric Sutherland, a director of Olympic Holidays and coincidentaly chairman of the Association of British Travel Agents, gave some indication of the sort of nervousness this introduces into the trade earlier this week when Olympic produced what it called an interim brochure.

Olympic is a medium-sized company, but large in its specific destination, Greece. It has clearly decided that it cannot be without a brochure at this time of the year, but on the other hand cannot go the whole hog until the basic rules of the game for 1985 have been established.

**Granada either had to cough up millions to take on Thomson or get out. 'We were simply too small.'**

All this is going on against a background of dismal reactions to the brochures already issued.

No one is particularly keen to be quoted about their bookings, apart from making optimistic noises. Most are like Mr John Neilson, chairman of Neilson holidays, who talks happily about "a 74 per cent rise in our (ski) business, but other people are taking a beating, and bookings for next summer for most operators are dreadful."

There is a consensus in the trade that a nation which suspects it might be in for fuel rationing and power cuts by the late winter is in no mood to book glossy sunshine holidays for nearly a year hence.

The impact of that on the cash flow of both tour operators and travel agents is obviously considerable.

The sluggishness of bookings is likely to make travel agents look even more closely at the range of tour operator products they hold. Agents, particularly the big chains, behave in much the same way as supermarkets.

They promote and sell only those brands which move quickly and produce the best returns with the least complaints. A hint of what goes on came earlier in the month when the row between Pickfords and Horizon over special commissions for bulk sales came into the open.

Pickfords, like Thomas Cook, Hogg Robinson, Lunn Poly (itself part of Thomson) or American Express (which has just acquired P & O's retail outlets) all maintain preferred lists of tour operator products.

If you go in and ask about holidays in Majorca you will be offered perhaps five brochures—not the 155 which is more likely the available total.

It is increasingly difficult to get on this preferred list if you are a small operator without some highly specialised selling point. Many operators faced with this are beginning to echo Granada's Mr Quilter.

He reckons Granada either had to cough up millions to take on Thomson or get out. "We were simply too small."

# Southampton port seeks job cuts to help save £7m

BY ANDREW FISHER, SHIPPING CORRESPONDENT

THE port of Southampton, which has lost a fifth of its container shipping business since the dock strike, aims to save more than £7m a year costs through job cuts and shift changes which it is negotiating.

The port's management has set the end of next week as the deadline for reaching agreement. Further talks with the workforce are planned for Monday.

Trade union negotiators have countered with proposals which would save the port, owned by Associated British Ports (ABP), about £5m.

But Southampton, which handles less container traffic than the fast-growing east coast port of Felixstowe, wants further cost-pruning so it can hold handling charges in line with the wishes of its remaining big customers.

A further loss of potential business to Southampton emerged yesterday with the decision of a Brazilian line, Empresa de Navegação Alianca, not to move its service to the south coast port from Tilbury as earlier planned.

This followed the decision of the BHLR consortium, made up of UK companies, to switch its South American service to Tilbury from Southampton.

The Southampton negotiations are aimed at cutting the 2,300-strong workforce by nearly 400.

It wants to persuade 165 registered dock-workers to leave the workforce with severance payments of £25,000.

# Bank to sell £300m of index-linked gilts

By Philip Stevens

THE Bank of England took advantage of recent strong gains in prices for index-linked gilts with the announcement yesterday that it will put on sale an additional £300m of stock from Monday.

The stocks offer investors a guaranteed return above the rate of inflation.

For the past few weeks prices of index-linked have risen sharply, partly reflecting the general buoyancy of the gilts market but also because of some doubts over the long-term outlook for inflation.

The stocks which will go on sale on Monday are £100m of 2½ per cent index-linked Treasury 2003, and £200m of 2½ per cent index-linked Treasury 2016.

# Financial and public sectors head job growth

BY ROBIN PAULEY

A KEY growth area for jobs in the Britis heconomy since 1971 has been the public sector—second only to financial services. This implies that government attempts to restrain the sectro could make reduction of unemployment more difficult.

An analysis by the Office of Population Censuses and Surveys shows that only three sectors of the economy increased their number o femployees in the decade in 1981. They were banking and finance, which had an increase of 27 per cent (that growth being particularly in the number of women), public services (including recreation and personal services), whic hincreased by 15 per cent, and the distribution, repairs, hotel and catering sector, up by 6 per cent.

In number terms, the publ sector leads. In 1981 ther were 5.97m employees, or 29 per cent of all employed people. This was followed by distribution and catering with 4.4m.

During the decade all other sectors decreased in terms of the numbers of employees—led by the metals, mineral products and chemical sector, which fell by 28 per cent to 940,000 workers. The manufacturing of metal goods, engineering and vehicles dropped by 24 per cent to 2.84m employees. Other manufacturing—including food, drink, clothes, wood and paper—dropped by 22 per cent in the decade to 2.41m employees.

*Population Trends 37, Autumn 1984; HMSO £4.50.*





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# Scargill may face fresh charges

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

FURTHER contempt of court proceedings may be started against the National Union of Mineworkers and Mr Arthur Scargill—and may directly involve other members of the union's national executive.

The High Court was told yesterday that immediately after the imposition of a £200,000 fine on the union and a £1,000 fine on Mr Scargill on Wednesday, the miners' president "made a further statement which has been widely reported."

Evidence about that was being collated, Mr Justice Nicholls was told by Mr Richard Slowe, counsel for the two anti-strike Yorkshire area miners, Mr Bob Taylor and Mr Ken Foulstone, who initiated the original contempt move.

To help in the enforcement of the order that the Yorkshire strike must not be described as official, Mr Slowe said, copies were being served on every member of the NUM's national executive, and of the national co-ordinating committee whose statement Mr Scargill had read out on Wednesday. Mr Justice Nicholls made the original order on September 28.

Each copy included a warning that disobeying the order could lead to punishment.

Mr Slowe said that so far the union had not taken up the judge's "last chance" invitation on Wednesday to come to court and make submission to him about the fines before the contempt orders are formally *drawn up on Monday.*

After yesterday's brief court hearing, the Yorkshiremen's lawyers were not prepared to say whether the collection of evidence meant that they were about to issue fresh contempt proceedings.

The service of copies of the September 28 order on the executive and co-ordinating committee members means that each one could be held personally liable for contempt if the order were again broken.

In his statement on Wednesday Mr Scargill said the national coordinating committee, which acts on a day-to-day basis on behalf of the national executive, had re-affirmed the NEC's decision on October 1 that the strike was official "and that there should *be no crossing of official picket-lines."*

An interesting feature of the statement is that, unlike earlier ones by Mr Scargill and the union, it did not include any express threat of disciplinary action against any miner crossing picket lines, although such a threat could be held to be implicit in the use of the word "official."

*Part of Mr Justice Nicholls' order was that no such threat should be made.*

The union was given 14 days, ending October 24, to pay its fine. Assuming it does not pay up, the Yorkshiremen's lawyers will be back in court the next day to ask for sequestration of the union's assets.

Mr Scargill has until November 7 to pay his fine. *After that he will be treated as* a judgment debtor

# Miners' bail condition 'was legal'

By Raymond Hughes, Law Courts Correspondent

A CLAIM that an unlawful bail condition was imposed by Mansfield magistrates on miners arrested on picket lines has been rejected by the High Court, but the magistrates were criticised for dealing with cases against miners in a way that gave the appearance of group justice.

In the first test case arising out of the miners' strike, nine Yorkshire miners had challenged the legality under the 1976 Bail Act of a condition banning them from picketing or demonstrating except peacefully, at their own place of work.

Lord Lane, the Lord Chief Justice, said yesterday that such a condition could be imposed if the magistrates thought that, without it, there was a real risk that another offence would be committed.

He said it must have been obvious to the Mansfield magistrates that, if released unconditionally, the nine would have resumed picketing in the East Midlands.

It must also have been clear that any suggestion of peaceful picketing was a pretence.

In his criticism of the magistrates, Lord Lane said that putting defendants arrested at different times or places in the dock together could give an appearance of group justice and was to be discouraged.

# Durham area told to prevent intimidation of miner

BY DAVID GOODHART, LABOUR STAFF

THE DURHAM AREA of the National Union of Mineworkers yesterday accepted a judge's order to "take steps within their powers" to prevent intimidation of a working miner.

Mr Paul Wilkinson, aged 28, won the ruling from Mr Justice Glidewell, sitting at Sheffield. The judge had granted Mr Wilkinson a temporary injunction against picketing directed to persuade him from reporting for work, contrary to the union's determination to maintain its seven-month-old strike.

The NUM opposes closure of uneconomic pits, except in certain defined circumstances.

Mr Anthony Rumbelow, representing Mr Wilkinson, said the miner sought to prevent union officials from "permitting" intimidation and unlawful picketing, or the use of threats or force, to prevent him from going to work. Mr John Hendy for the union argued that its control of pickets was "not unlimited."

The judge said the presence of hundreds of people at the pit could only happen if someone had organised them. He said it was right to leave out *of his order the word* "permitting." Instead, the union members should be restrained from "failing to take steps within their powers to prevent other persons from causing or organising" unlawful picketing.

After the hearing, Mr Paul Heatherington, a solicitor for the NUM, said the union was prepared to go along with the judge's order, which applied until the trial of Mr Wilkinson's action. That will be "strenuously resisted," the solicitor added.

*It is understood that Mr* Wilkinson's solicitors had been keen to press contempt charges but were unable to obtain sufficient direct evidence to indicate that the union might have organised picketing. The union will stick to the letter of the law, in order to avoid the inconvenience and expense of sequestration, but picketing was likely to continue, it is believed.

John Lloyd on Acas efforts to end the pit strike

# Delicate detail at the peace talks

THE LATEST round of talks between the National Coal Board and the National Union of Mineworkers at the London offices of the Advisory, Conciliation and Arbitration Service has focused on two seperate but interdependent areas. It has also been broadened to include, first, the pit deputies union Nacods and, yesterday, the Manager's Association, BACM.

The talks are thus more complex than the previous head-on confrontations between the Board and the union. Since the assent of all three mining unions has always been the condition of a final settlement, their involvement by Acas has been interpreted as a hopeful sign.

On Thursday, the negotiations began with Acas tabling what were essentially the NUM's proposal to end the dispute. On a single sheet of paper the union specified that all colliery closures other than the previously agreed categories of closures by exhaustion and for reasons of geological difficulty should be reviewed "in line with Plan for Coal."

The second major element was the appointment of an independent arbitration body to which all proposal for pit closures would be referred—but only by prior agreement of both management and unions—and whose judgement on the closure would be binding.

The union also proposed a compromise by whicht he arbitrators could be advisory but their decisions would be taken into account by both sides.

This was unacceptable to the NCB team, largely because the initial clause contained the phrase "in line with Plan for Coal." The Board, throughout th series of negotiations, has been anxious to get away from the plan, which was first drawn up in 1974 by unions, NCB and Government and proposed a massive expansion in coal production. They believe that it is now seriously out of line with market realities.

Late on Thursday afternoon, the Board put forward its own single sheet of paper. Very similar to the NUM's plan, it left out of the first section the key "Plan for Coal" clause and made clear that the arbitrators' decisions would not be binding on the Board.

Yesterday Mr Pat Lowrie, the Acas chairman, and Mr Dennis Boyd, the chief negotiator, tabled their own formula on which they had worked overnight. It also proposed that the arbitral body should have advisory status only and was for that reason immediately accepted by Mr MacGregor. Late last night, the NUM national leaders were still mulling over its implications.

The element of arbitration, introduced by the pit deputies' union Nacods as a condition for calling off the national strike for which it has an 82.5 per strike ballot, now seems capable of being agreed by the two parties.

However, the core issue still seems to be the extent to which the agreement enshrine's the NCB's right to manage the of collieries on largely industry and to propose closure economic grounds, and how far the NUM can have written in to the final agreement some "protection" against such closures by reference to the Plan for Coal.

Mr MacGregor's manner as he emerged from talks yesterday evening appeared to indicate that the Acas formula meets the basic requirements of the Board. His comments, which included a strong rejection of any idea that his Board could ever give up the right to manage, points to difficulties on the NUM's side.

The last round of talks three weeks ago broke down on the Board's insistence that it write into the final agreement a clause saying that it would close pits "in line with its responsibilities."

The fundamental issue therefore remains that of a market-orientated board set against a production-orientated union. The early indications from the Acas talks are that a fragile bridge has been thrown across this gulf by Acas intervention. But are both sides willing to walk across it and meet in the middle?

# NUM faces attack over loss of support for unions

BY OUR LABOUR STAFF

MR TOM RICE, a national official of the electricians' union, will associate the leaders *of the National Union of Mine*workers today with "the political posturing of the fascist left," in one of the most outspoken attacks on the NUM by a trade unionist since the pit strike, *now seven months old,* began.

Mr Rice is to address the staff section of the Electrical, Electronic, Telecommunications and Plumbing Union in Birmingham.

His speech attacks the NUM leaders, in the course of explaining why British trade unions have lost 2m members during the past five years. "We must ask ourselves: 'Why, with unemployment so high, are the *workers in Britain* not *turning* to trade unions to represent them?' I believe that this distrust and the defections from the movement are a result of the political posturing of the *fascist Left.*

"It appears to British workers today, that Mr Arthur Scargill (the NUM president) and company speak for the British trade union movement. This is not true — *they do not speak for* us," the electricians official said, "and that is way, in membership terms, we are in a better position than most."

# Peace hopes rise in DHSS computer centre dispute

BY DAVID BRINDLE, LABOUR STAFF

HOPES OF an early end to the social security computer dispute rose yesterday when the two sides met to discuss setting up full negotiations next week.

The Department of Health and Social Security said its officials were having "informal talks" with the unions involved in the 22-week-old strike over shift payments at the Newcastle-upon-Tyne DHSS computer centre.

One union leader said last night: "I think there is every possibility of a reasonably speedy conclusion to negotiations assuming things go smoothly."

Moves to set up fresh negotiations began soon after the national executive of the Civil and Public Services Association, the largest union concerned, decided not to spread the strike to unemployment benefit computers.

The CPSA, is, however, maintaining presure on the DHSS by threatening to organise selective strikes at local benefit offices.

Mr Geoff Lewtas, CPSA assistant secretary responsible for members in the DHSS, said: "We have made very clear to the management that we have not gone soft on the dispute. But the decision does create a breathing space during which we genuinely hope that a settlement acceptable to our members on strike can be found."

The CPSA strikers at Newcastle are angry that the union has not extended the dispute and their militancy is likely to be the major stumbling block to a settlement.

Talks will pick up at the point in August where they last broke down. The management is offering shift arrangements which, it says, would mean no loss of pay provided workers were prepared to change jobs if required.

The dispute, which has affected pension and benefit payments to about 12m people, has cost the department between £30m and £40m.

# Unions seek £22 a week rise at Austin Rover

BY DAVID GOODHART, LABOUR STAFF

UNION OFFICIALS *representing* the 27,000 manual workers at Austin Rover yesterday lodged a claim for a £22-a-week rise which was immediately rejected by the company.

Meanwhile, the pay dispute which has halted production at Vauxhall since last Tuesday is set to continue. Shop stewards at the main Luton and Ellesmere Port plants decided not to hold mass meetings following two minor improvements to the offer made in negotiations with national officials on Thursday night.

Vauxhall has written to all 15,000 employees explaining the offer which, in exchange for acceptance of new grading and working practices, will give most employees about £12 extra a week. For about 80 per cent *of employees it is worth about* 9 per cent. The present basic for the main grade is £116.

Mr Tom Conway, the convenor at Luton, said: "We believe with the recent success *of the company we should* be far closer to the rates at Ford and Austin Rover. We also want a better deal for accepting a new technology package which is going to serve the company until the end of the century."

Austin Rover is due to formally reply to its unions' claim on Tuesday, but it said yesterday that the claim would increase company costs by more than £80 a week per employee.

Austin Rover has just come out of a two-year deal which gave rises of 5.6 per cent a year (plus bonus consolidation of £3.75 in both years); but with industrial trouble over bonuses at the Cowley assembly plant and the pace being set by Vauxhall and Jaguar it may find it difficult to win another two-year deal.

The company says its main grade track workers are the best paid volume car workers (excluding Jaguar) in the country, with an average of £135.97 per week, and that since July 1980 earnings have risen 54 per cent. However, with a £101m loss in 1982 trans*formed into* a small profit last year the unions are expecting a large increase.

# Manx gold coins issue planned

THE Isle of Man is to issue a series of gold coins, following the success of the platignum noble coin.

Subject to the approval of Tynwald, the island's parliament reverse side the Archangel Michael.

They will be issued in six denominations including 10 angels which will contain 311.035 grams of fine gold with

# Bush wins on points over Ferraro

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

BOTH SIDES claimed victory in Thursday night's televised debate between an aggressive Vice-President George Bush and an unusually subdued Ms Geraldine Ferraro, his Democratic challenger.

In the wide-ranging 90-minute confrontation in Philadelphia, Ms Ferraro scored several points against her opponent's fierce, though at times obsequious, defence of President Ronald Reagan.

Most political analysts, however, gave the edge to Mr Bush, particularly for his performance on foreign policy, defence and nuclear issues. An ABC News poll immediately after the debate found that 43 per cent thought that Mr Bush had won, against 32 per cent for Ms Ferraro.

Despite a nervous and shrill start, Mr Bush appears to have held the line for the White House after Mr Reagan's much-criticised showing in last Sunday's debate with Mr Walter Mondale, the Democratic challenger.

**Mr Bush, thinking he was speaking privately, said yesterday that "we tried to kick a little ass" in his debate with Ms Ferraro. It was the third unsavoury comment about Ms Ferraro from the Bush team inside a week.**

**On Monday, Mr Bush's wife, also thinking that she was off the record, referred insultingly to her as "that $4m—I can't say it, but it rhymes with rich." She then said *feebly that* the word she had implied was "witch." Nobody believed her—especially after Mr Peter Teeley, Mr Bush's Press Secretary, said on Thursday that Ms Ferraro sometimes sounded "bitchy."**

**The Vice-President was overheard by a long-range television microphone as he made his "kicking ass" remark to a member of the Longshoremen's Union at a New Jersey rally. Later, he stood by it as "an old Texas football expression." All three incidents, however, gave fresh ammunition to the Democrats as evidence of crass and sexist Republican behaviour.**

While Ms Ferraro did nothing to deflate the new confidence in Democratic ranks, few political analysts expect the single vice-presidential debate to have much impact on the electorate's final judgment on November 6.

In his closing statement, Mr Bush said the American people were facing the clearest choice in 50 years. "The choice is to move forward with strength and prosperity, or do we go back to weakness and despair?"

Ms Ferraro invoked the "values of fairness and equal opportunity" and insisted that the campaign was not over. "For our country, for our future, for the principles we believe in, Walter Mondale and I have just begun to fight," she said.

She was at her most powerful when scathingly attacking Mr Bush for trying to patronise her and misrepresent her views on foreign police. "Leave the interpretation to the American people watching this debate," she said after the Vice-President had suggested she was opposed to all covert U.S. intelligence activities.

Ms Ferraro angrily denied Mr Bush's claim that Democratic leaders had suggested that U.S. marines in Lebanon had "died in shame." Mr Mondale later denounced the remark as "unpardonable."

The Democrat seemed less sure, however, on nuclear issues, declining to answer a question on the verification of arms control agreements. A more confident Mr Bush appeared to be laying the groundwork for a new Republican assault on the Democrats' defence policies, invoking the "spirit of Grenada."

# EEC beef mountain outgrows its cold store

By Our Brussels Staff

THE EEC beef mountain has now all but outgrown Community stores, forcing European Commission officials to authorise the hiring of cold stores in Austria, Switzerland and Spain to accommodate the surplus.

Meat in EEC storage amounts to a record 503,000 tonnes, with a further 70,000 tones in private stores also financed by the Community. New carcasses are being received at the rate of 25,000 tonnes a week, though this figure is expected to decline when aid measures to compensate for the seasonal glut are removed.

The prodigious growth of the beef surplus has continued despite record EEC exports. Poor production in Argentina, Australia and Brazil has enabled between 800,000 and 900,000 tonnes to be sold on the world market—double the normal quantity—though not without the use of costly export subsidies.

These have pushed the cost of the beef regime up from the Ecu 1.5bn (£885m) originally allocated in the 1984 farm budget to more than Ecu 2bn.

Concern is growing among beef farmers that a further huge tonnage of meat will be unleashed on the market when dairy farmers begin culling cows to cut back milk production, now penalised by the "superlevy" on excess output.

Community aid for cow meat is heavily restricted, but some beef farmers fear that support measures may be brought in to compensate the already hard-hit dairy industry. This would further depress already low beef prices.

The storage problem is so acute that now the Commission has been encouraging the deboning of carcasses to make more space. A Community official said yesterday that the decision to use cold stores outside the EEC was a simple economy measure as space in several neighbouring countries was available at cheaper rates.

But the introduction of private storage aids last August along with the weekly growth of sales to Community stores indicates that capacity within the EEC is now almost exhausted.

The latest official estimates suggest that more than 600,000 tonnes will be in store by the end of the year. But others believe the figure could be substantially higher.

# Community £4.2bn trade and aid offer rejected by Lome states

BY IVO DAWNAY IN BRUSSELS

PROGRESS TOWARDS a deal on a new Lome trade and aid pact between the European Community and 64 African, Caribbean and Pacific (ACP) countries was badly stalled last night after the ACP countries rejected an Ecu 7bn (£4.2bn) package.

Leaders of both groups were *yesterday attempting to salvage* something from the deadlock by continuing discussions on the fine detail of the treaty, due to come into force next March. But there are widespread fears that the impasse may not be cleared by early December when the accord is due to be signed.

The roots of the breakdown lie in the ACP countries' demand for a substantial increase in the size of the package. It was the early revelation of the EEC development ministers' agreemnt on a Ecu 7bn total that brought the talks to a halt on Thursday night.

The Community has always contended that the amount of aid is entirely its own decision and strictly non-negotiable. Member states have defended the total as maintaining finance for the European Development Fund in real terms at the same level as was available for the previous five-year pact.

The ACP countries originally sought a real increase in EEC spending, proposing an Ecu 10bn allocation to the development fund with a further Ecu 3bn to be made available in soft loans through the European Investment Bank.

That claim is now understood to have been scaled down to Ecu 8.35bn for the fund and Ecu 1bn for the bank.

An improvement in the EEC offer is unlikely. The British, in particular, have made it clear that there is no possibility of extra cash being made available.

Mr Peter Barry, the Irish Foreign Minister and president of the EEC negotiating committee said last night that he would report back on the state of the talks to foreign ministers at their meeting in Luxembourg later this month. He added that he was not mandated to offer any improvement in the aid package.

If progress were made on the details of the pact, it was possible that both sides would agree to go ahead with a final negotiating session at Lome, Togo, in the first week of December.

# Export administration act fails in Congress

BY NANCY DUNNE IN WASHINGTON

MOVES TO renew the U.S. Government's controversial export control legislation appear to have foundered because of sharp disagreements in Congress over a new Export Administration Act (EAA).

*The fate of the legislation* has hung in the balance for days, as congressmen and senators sought to compromise their differing versions of the Act.

Agreement seemed possible on Wednesday when the Senate, in an unusual move, approved a modified version of the EAA without a provision giving the Pentagon authority to review licences granted to Western trading partners. However, it refused to agree to a ban passed by the House of Representatives on bank loans to South Africa.

In the end the House, which had originally wanted even stronger constraints on American corporate involvement in South Africa, would not drop its insistence on the bank loan embargo.

The U.S. has been without an EAA since March, when the president invoked powers granted by the International Economic Emergency Powers Act to keep export controls going. The Commerce Department, which has prime responsibility for export licensing, will continue its control programme until a new act can be approved.

However, the emergency legislation, unlike the EAA, does not forbid judicial review of the department's licensing decisions and Nuclear Pacific, a Seattle-based company, has already challenged a licence denial in court.

The court upheld the specific licence denial, but other challenges can be expected. Mr Richard Popkin, *a senior Com*merce Department official, said the Act granting emergency powers allows for use of the legislation in case of a lapse in specific control legislation.

The EAA, like many other bills in Congress this year, is a casualty of the sharp divisions of philosophy in the Democratic-dominated House ad the Republican Senate.

The business community found sympathetic ears in the House which set about easing *some of the restrictions* on "low tech" product and trade with friendly governments. The Senate, prodded by the Administration, was intent on giving more licence review powers to the Pentagon and could have let the President impose import controls on companies or countries which violated the EAA.

## U.S. INFLATION SLOWS FURTHER

**U.S. GOVERNMENT statisticians had good news for the Reagan re-election campaign yesterday, reporting both a *further slowing of inflation* and a rise in retail sales, writes Nancy Dunne in Washington.**

**The Labour Department announced a 0.2 per cent drop in the producer price index in September as lower food and energy costs combined to provide the largest fall in wholesale prices in 21 months. At the same time, the Commerce Department reported a 1.6 per cent increase in September's retail sales, after two months of declines. Mr *Malcolm Baldrige*, the Commerce Secretary, predicted that consumer spending would finish the year "in a solid upward trend."**

**The U.S. drop in wholesale prices surprised many private analysts, who had expected an increase. They forecast a rise in the October figures, because of higher petrol prices. For the year to the end of September, the wholesale price inflation rate was only 1.9 per cent, well below the annual rate expected by most forecasters.**

**The increase in retail sales was the strongest monthly rise since April's 3.5 per cent. It followed a 1.7 per cent fall in July and one of 0.6 per cent in August.**

# Bonn offers 2.8% rise to public sector

THE BONN Government yesterday made the opening move in what promises to be tough wage negotiations with the country's 2.3m public service employees, with an unadorned *offer of a 2.8 per cent rise*, writes Rupert Cornwell in Bonn.

The offer came on the first day of serious bargaining with the OETV public sector union, which is seeking a 5 per cent increase, coupled with an extra 10 days holiday per year.

## OECD steel output up

Steel production in the 24 member countries of the OECD rose in the first nine months of this year to around 276.1m tonnes from 248m in January/September 1983, the OECD steel committee said, Reuter reports from Paris.

However, there was a tendency for this growth to flatten out, with third quarter production this year only 6.5 per cent above the year before and with indications the rise will be minimal in the fourth quarter, the committee said.

## Air fare pact signed

A new agreement on North Atlantic air fares has been signed by the U.S. and 16 European countries and will come into force next month, the European Civil Aviation Conference said, Reuter reports from Paris.

The two-year agreement, still to be formally confirmed, will allow airlines more freedom in setting fares on several routes.

## U.S. debt Bill passed

The Senate yesterday approved the biggest single increase in government borrowing authority in U.S. history after senators had been brought to vote from election campaigning by air force planes, Reuter writes from Washington.

The measure pushed the permitted national debt from $1,573bn to (£1,310bn) to $1,824bn and was vital to allow the government to resume borrowing to pay its bills, suspended when the lower ceiling was reached. It had been unexpectedly defeated earlier by a vote of 46 to 14 in the absence of 40 senators.

## Canada energy move

The Canadian Government has approved two U.S. investments in the oil and gas industry, raising hopes among the business community of a more relaxed policy towards foreign investors and the energy sector in particular. **Bernard Simon writes from Toronto.** The cabinet cleared a C$325m (£199.3m) acquisition by U.S.-owned Canadia *McMoran* Oil and Gas Corporation of Voyager Petroleum. Earlier the purchase by Hunt Brothers of Dallas, Texas of a small natural gas field in Alberta and British Colombia was approved.

## Mid-East co-operation

Jordan and Egypt have agreed to form an joint prime ministerial committee to implement a programme of co-operation in "all fields," writes Tony Walker. Formation of the committee, which will promote efforts in transport, trade, *industry, agriculture and* investment, was announced at the end of President Hosni Mubarak's visit to Jordan this week.

## Brunei contract

The Brunei Government and Brunei Shell Petroleum have signed an £80m contract for a power plant to be built by Tokyo Engineering of Japan, John Brown Engineering of the UK and Brunei's QAF Construction. **Andrew Fisher writes.** The plant will provide power for the Shell refinery in Seria.

## Seoul call to North

South Korea's Government has called for talks with the North about forming a permanent body to promote trade and economic co-operation, writes David Butler in Seoul. The proposal comes days after North Korea completed a historic delivery of food, medicine, and other aid for South Korean flood victims, the first time any goods have moved freely

# Entry talks rebuke for EEC ministers

BY QUENTIN PEEL IN BRUSSELS

FOREIGN MINISTERS of the European Community have been given a severe dressing-down by Mr Peter Barry of Ireland, their current chairman, *for the way they have* treated Spain and Portugal in the negotiations on enlargement of the EEC.

A strongly-worded letter has been sent by the Irish Foreign Minister to his nine colleagues, reprimanding them for their failure to make any substantial progress in the talks, and even for failing to attend the negotiating sessions in person.

Mr Barry said that the inability of the Council of Ministers to agree on "anything of substance" to present to Spain and Portugal in the talks, on three consecutive occasions, was having "an increasingly negative impact" on their governments.

"The question is increasingly being asked in Madrid and Lisbon whether the Community really wants the applicants as members," he warned. "This must be a matter of concern and embarrassment for all of us: it certainly is for the presidency."

Mr Barry, the text of whose letter emerged in Brussels yesterday, said the Spanish and Portuguese Foreign Ministers leading the negotiations had "strongly expressed their dissatisfaction at this lack of progress."

In particular, they had made clear their anger at having to travel to Luxembourg last week "in circumstances of futile endeavour." The absence of EEC foreign ministers from the discussion on Spanish and Portuguese membership "they found to be offensive, and a reflection on our political commitment," he said.

The Irish minister urged all his colleagues to attend in person the next round of talks to be held in Luxembourg on October 22 and 23. He said that Ireland would be sending Mr Jim O'Keeffe, the junior Irish Foreign Minister, to all the community capitals next week in an effort to put together a "substantial package" of proposals for the talks.

The Ten have become bogged down among themselves on a range of questions involved in the negotiations, including how to control wine and olive oil production in an enlarged Community, how to accommodate the Spanish fishing fleet, and the social security measures necessary for Spanish and Portuguese migrant workers.

# Agnelli warns of Europe's failing economic power

BY DAVID HOUSEGO IN PARIS

THE DECLINE of Europe as an economic power would gather momentum unless urgent reforms were undertaken, Sig Giovanni Agnelli, president of the Fiat motor company, warned yesterday.

In what he described as a frankly "pessimistic" speech to a seminar of European businessmen he said that any industrial initiative in Europe ran into the brick wall of Europe's rigidities and regulations. Among urgently needed reforms, he mentioned a proper European monetary system that would allow companies to organise their cash balances in European currency units, the standardisation of industrial norms in the Community, and the establishment of a common legal framework.

Mr Wisse Dekker, the president of Philips, the Dutch electronics group, told the seminar that industrialists must take the initiative in establishing a large unified market within Europe.

Political progress towards a unified European Community had run out of steam because countries would not surrender *their autonomy*. He believed it was easier to bring industrialists together than politicians, adding that European industry "realised more and more that it had need of a vast market, otherwise Europe will become a second rate power."

Mr Dekker's remarks made in a video recorded interview, come in the wake of the agreement earlier this week by Philips and Siemens, the West German electronics group, to co-operate on a $1bn venture to manufacture advanced microchip memories.

The two-day conference called "Building Europe Together" and organised by the French employers' federation, aimed to promote co-operation *among companies of all sizes*.

Businessmen from all over Europe heard case histories of successful collaboration, were reminded of the substantial obstacles to internal trade from non-tariff barriers and pleaded for stronger government protection from unfair competition.

Mr Patrick Sheehy, president of British American Tobacco, struck a discordant note when he said that more and more businessmen had become aware of the disadvantages of investing in Europe. As a result, investment had shifted from France, West Germany and Britain to the U.S.

## Italy's EEC aims

**Italy will try to improve decision-making and monetary co-operation in the European Community after it takes over as president of the Council of Ministers in January, the Prime Minister, Sig Bettino Craxi said yesterday, Reuter reports from Rome.**

**A statement issued by his office after he met the visiting Greek President, Mr Constantine Karamanlis, said his government wanted to see better relations among the Community's institutions and that Italy would devote particular attention to Mediterranean issues.**

# Peres may limit pull-back from Lebanon

By David Lennon in Washington

THE PLANNED withdrawal of Israeli troops from Lebanon may be only partial and could take considerably longer than expected if Syria fails to respond to the Israeli appeal for an underwritten understanding on future Syrian troop movements.

Mr Shimon Peres, the Israeli Prime Minister, who is visiting the U.S. would like to see all Israeli troops withdrawn from Lebanon within six to nine months. He said yesterday that his government would take a decision "in a few weeks" on the pull-back.

However, he warned that "if Syria won't make clear her own position, we don't have to withdraw simultaneously from all parts of Lebanon."

Israel is demanding that Syria undertake not to move its troops into the areas evacuated by Israel and that it also prevent Palestinian guerrillas from crossing out of Syrian-held territory to attack Israel.

# Report on fears over test of Hong Kong opinion

BY DAVID DODWELL IN HONG KONG

THE HONG KONG Government has sent a report to Whitehall on mounting public concern in the territory over the confidentiality of citizens' comments on the blueprint recently agreed by China and Britain on their future after 1997.

The report was sent after fierce questioning on the issue by members of the Legislative Council, the nearest institution Hong Kong has to a parliament, at their weekly meeting on Wednesday.

Fears result in part from blunders by the Assessment Office, an organisation set up immediately after the initialling of the Sino-British joint declaration on the territory's future after 1997—when China will regain sovereignty—to gauge public reaction to the agreement.

Public response to the declaration seems to be positive, but it is understood that letters have so far only trickled into the Assessment Office. Officials blame this on worries about confidentiality, and on a failure to convince local people that comment will be of any value.

The declaration was published after two years of secret and difficult negotiation in Peking. It has been made clear since publication on September 26 that the declaration cannot be altered in any way. The British Government has nevertheless promised that the agreement should be acceptable to Hong Kong people. Having ruled out a referendum to test opinion, it opted to set up an assessment office instead.

The assessment office appears to have tripped up by insisting that all comments on the declaration had to be in writing, "properly signed with the full name and address of the writer." Indigestible one-page advertisements placed in all local newspapers offered no assurances that such letters would be strictly confidential and this aroused fears that anyone expressing doubts or criticism could be "marked" once Britain handed over sovereignty.

# Talks on Ford pay offer fail to meet deadline

By Paul Taylor in New York

CONTRACT talks at Ford, the U.S. car manufacturer, continued yesterday past an informal noon deadline, after the company tabled a comprehensive offer to the United Autoworker Union (UAW) believed to resemble closely that made earlier by General Motors (GM).

In the meantime the tentative agreement between the UAW and GM looked likely to be ratified as more of the union's local districts — including several traditionally militant areas—endorsed the wage and job security package.

According to some unofficial tallies, with about half of the UAW's 149 locals (union branches) having voted, the contract is being endorsed by a margin of 60 to 40 per cent.

The Ford offer is believed to include pay rises including first-year increases averaging 2.25 per cent—duplicating the GM offer—and to contain job security proposals similar to those offered by GM.

New measures lift many controls on production, prices and wages, writes **Mark Baker**

# China eases the reins on its urban economy

CHINA'S DRIVE to decentralise its economic administration radically away from more than three decades of Socialist central control gathers pace this weekend at a meeting of a plenum of the Communist party central committee.

The reforms to be discussed are the first step in a programme intended to unleash progressively much of the activity of China's urban economy.

The State Council document sets out "temporary rules" amending the planning system in 12 areas, to be implemented from the beginning of next year.

The main reform is that central planning production control will be lifted from 60 of the 130 industrial products under the state plan and 19 of the 29 agricultural products. They will be allowed to set production according to general guidelines or market demand.

While important raw materials like steel, coal and oil remain under central control, other products will be left to market regulation

In what appears to be China's first substantial move towards reforming the generally rigid system of artificially low prices, a network of "trade centres" will be set up across the country where uncontrolledl products can be bought by anyone, in unlimited quantities at negotiated prices.

Wages in state enterprises are dual wages can be increased or decreased by the management of the entreprise and expanded when its productivity rises.

The document calls for the use of Western economic levers like price adjustment, taxation and interest rates to ensure economic goals.

A document published this week by the State Council, China's cabinet, outlines new rules to lift many Government controls on the size and content of production, to ease the system of prices and wages, to decentralise planning power and to give rein to the forces of the free market.

Underlying the changes is the virtual admission that the centrally-planned economy has failed in China. At the very least, the bold reformists now controlling China are saying that the rigid old Socialist economic model is inadequate for achieving ther ambitious *target for modernising the* country.

The course of action still smacks of heresy, even after the dramatic reforms of the past six years which have rejuvenated agriculture, opened China to foreign investment and encouraged private commerce.

The handling of the disclosures about the reforms has reinforced expectations that the Chinese leader, Deng Xiaoping, will face serious opposition *from among the aging but still*

Deng: "kind of revolution"

But Deng, who turned 80 two months ago, appears to have decided that we must force the pace of economic change while he is still active and able to carry the changes with his formidable personal imprimatur.

The programme for urban economic reform represents perhaps the last stage in the process of overhauling the Chinese economy which he and his lieutenants launched in late 1978. It is the essential and most difficult step towards achieving the goal of quadrupling China's industrial and agricultural output by the year 2000.

Deng has said the measures *now being implemented will*

"We regard the reform as a kind of revolution," he told Chancellor Helmut Kohl of West Germmay this week, adding jokingly: "Which is entirely different from the Cultural Revolution."

The Chinese Premier, Zhao Ziyang, told an earlier meeting with foreign business leaders that the long-term objective was to dismantle administrative regulation of the economy from the centre. China aimed to regulate its economy through laws, Western economic levers and the market forces of supply and demand.

"That's what you in the West call the free market economy, but our framework will be of Socialist ownership," Zhao said. "We will make use of the law of value and the market mechanism."

A commentary published yesterday in the party newspaper, People's Daily, is severely critical of the shortcomings of China's central planning.

"The system like this has seriously blocked the initiative and activity shown by departments and units in various fields, thus taking away the due vitality and flexibility our economic development needed," it said.

The central planning system had resulted in an excessive and too rigid concentration of economic power and had neglected the important role market forces might have *played*.

form detailed by the State Council fall far short of the ambitious proposals described by Zhao and other Chinese leaders. For example, they do not answer the critical problem of China's massive subsidies on basic food items, transport and accommodation, which are regarded as a serious impediment to growth.

Western diplomats suspect that either the reforms had to be softened because of opposition in the *party, or further* details are to be released after the central committee meeting.

The fact that the substance of the reforms has been disclosed before the meeting, and the overt way in which they have been "sold" by Deng, Zhao and the party general secretary, Hu Yaobang, suggests an attempt to outmanoeuvre critics.

The publicity build-up makes it more difficult for the conservatives to challenge the changes. It is also a demonstration of Deng's great confidence that he is prepared effectively to circumvent the biggest policy-making tribunal of the Communist party.

Hu has denied in an interview with a Japanese delegation that there is antagonism to the reforms within the party. But he added, more revealingly: "Some comrades fail to catch up with the developments in their thinking. Even if there are persons who are against the reform, they are very few in number."

# Soviet nuclear build-up 'unabated', says Nato

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT

DEFENCE Minishters of the North Atlantic Organisation *(Nato) yesterday concluded* their two-day meting in the northern Italian town of Stresa with a communique declaring that the Soviet Union's nuclear build-up continued "unabated at all levels."

The Ministers, who meet regularly twice a year to review the nuclear side of alliance defence, said that the Soviet Union was testing a wide range of nuclear weaponry, including two new intercontinental ballistic missiles, a new bomber and a new generation of cruise missiles.

Their communique confirmed that Moscow was building new bases for its intermediate range SS20 missiles, but Mr Caspar Weinberger, the U.S. Defence Secretary, refused to say precisely how many of those missiles are now deployed by the Soviet Union.

He told a press conference after the meeting that for "official purposes" Nato would retain its January 1984 estimate of 378 SS20s deployed in the Soviet Union. He said the figure would be updated "shortly" to data on the existence of additional missiles.

The impression was left that the new bases are under construction but do not yet house new missiles.

Mr Weinberger's reticence is thought to reflect European misgivings about changing the totals. To do so could upset the delicate political compromise achieved by the Dutch Government in June, when it linked its decision to defer deployment of 48 U.S. cruise missiles for another year, to a continued Soviet moratorium on SS20 deployments.

The communiqué of the Nuclear Planning Group, which includes all alliance members except France and Iceland, reiterated Nato's willingness to halt the deployment of the new cruise and Pershing 2 missiles and even dismantle those already in place if a "balanced, equitable and verifiable" arms limitation agreement is reached.

● A Soviet Foreign Ministry official, Mr Vladimir Lomeiko, condemned Mr Weinberger's assertion that Moscow had increased deployments of

# THE WEEK IN THE MARKETS

## No help from base rates just yet

**LONDON**

ONLOOKER

The market managed to accept the terrible events at the Conservative Party Conference with remarkable calm yesterday. No doubt if the explosion had struck during trading hours there would have been confusion but as it was people were able to turn on their radios early in the morning and get a relatively clear picture of events. Knowing the news, the City was able to accept it without panic.

Earlier in the week the September money supply figures dashed any hopes for an early cut in base rates, but still optimism persists and dealers are now talking of a cut next month. Gilt prices remained firm despite the initial disappointment and index-linked stock in particular were in strong demand.

After months of being shunned, investors have suddenly awakened to the index stocks which have been looking cheap for some while. In the last month index-linked have outperformed conventional gilts by some 6 per cent. It may be that the City analysts have been pushing up their expectations for inflation, the wage claims from the motor industry at the moment would certainly nudge them in that direction, but the recent increase in demand is probably deeper than that. Even assuming an eight per cent inflation rate some good real returns can be found and investors have at last spotted them.

### The Telecom party

British Telecom is inviting every Tom, Dick, Harry or Aunt Agatha to come along to its share issuing party but when it comes to handing out contracts rather than share certificates, Telecom is showing itself to be far more selective towards the guest list. This week it announced that it is asking three companies to bid for the contract to supply changes as an alternative to System X equipment made by GEC and Plessey.

The three selected to compete are Northern Telecom of Canada, Thorn Ericsson, a UK joint subsidiary of Thorn EMI and Sweden's Ericsson and TMC, part of Philips of Holland. One name that was conspicuous by its absence was Standard Telephone & Cables. Having been ejected from the System X party two years ago STC is not even getting an invitation this time round. The market reacted to the news by marking STC's shares lower but Telecom's decision cannot be that much of a surprise, even if STC is plainly disappointed.

Ever since it was excluded from System X there must surely have been a question mark over STC's long-term position in the public exchanges market. After all, STC does not have a digital exchange of its own and has been relying on ITT's system 12.

The group is still furnishing TXE/4A exchanges, of course, which is highly profitable business but lacking in long term potential. So, if nothing else, the week's events highlight how STC must make the ICL acquisition work. Its pursuit of the "integrated office" must be its obvious route for growth because by the end of the decade STC's involvement with Telecom is not expected to be very large. And on that point it is worth noting how STC is tightening its grip on its new subsidiary. Four of its own key executives have moved onto the ICL board and Dr Robb Wilmot, the new chairman who has controlled day to day management of ICL in recent years, is making way for his colleague Peter Bonfield.

Cambrian & General Securities announced a £20m rights issue and plans to raise close to £90m on the Eurodollar market as its management opens up the throttle to accelerate the trust's spectacular growth. No ordinary sleepy investment trust this one, for Cambrian has been the UK vehicle of the famous Wall Street arbitrageur, Mr Ivan Boesky, for two years and it is the only way for British investors to ride on the coat tails of one of the New York market's most successful professional share speculators.

### Backing Boesky

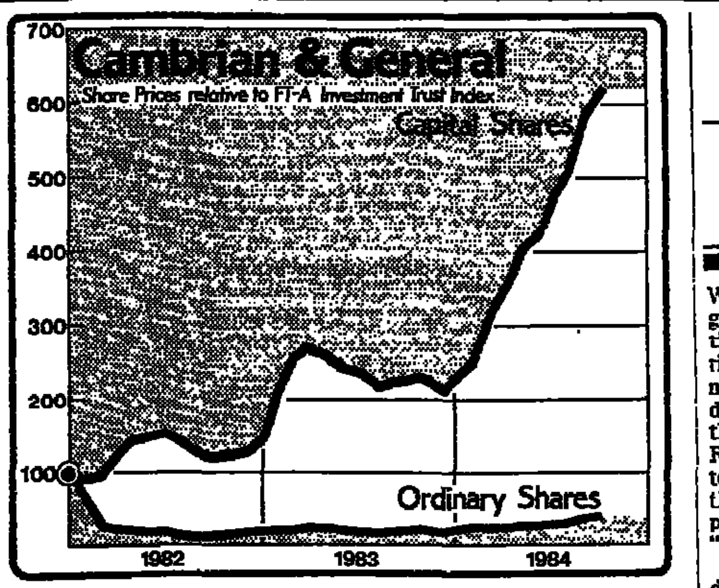
Ivan Boesky has made his name punting on bids and other special situations. The attraction of a UK investment trust for Mr Boesky is that it can role up capital appreciation without any tax liability. Though he, like any other investor, is subject to capital gains tax when he sells his investment.

His first move at Cambrian was to restructure the capital base into ordinary and capital shares which ultimately gave him control of 80 per cent of the capital shares (with their substantial gearing effect on assets performance) and 12 per cent of the ordinary. That left him with just under 30 per cent of the votes.

He directed the trust's funds towards his arbitrage plays in the U.S. and by June this year net assets had leapt from the £8.1m of two years ago to £46.9m. The asset base of the ordinary shares had more than doubled to 97.9p while that of the capital shares soared from 8.2p to 125.9p. Cambrian can be wound up any time after September 1987.

So far so good, but Mr Boesky wants more capital at the trust's disposal. With the new equity and proposed loans the gearing effect on the capital shares doubles. In future every £1 of growth in the overall assets base will add about £6 to the value of each capital share.

Of course there are risks to Cambrian. It thrives on wheeling and dealing in a market brimming with takeover activity. And there are inherent currency risks in the transatlantic investment policy. So while it is not exactly for widows and orphans, the performance to date should ensure that there is no lack of support for the rights call.




### Tonic at Glaxo

The full year figures from Glaxo were a shade below some of the more enthusiastic market expectations but even so the report displayed what a profound impact the anti-ulcer drug, Zantac, is having on the group's performance. In the 12 months to June, pre-tax profits rose by £70m to £256m, earnings climbed by 50 per cent and the dividend payout was lifted by 4p a share to 13p.

Zantac is now available in 80 countries and sales last year amounted to £250m against £100m the year before. Though the contribution of individual drugs to group profits is very difficult to judge some City folk are suggesting that Zantac produced trading profits of £80m last year and probably accounted for more than two-thirds of the underlying profits advance from the pharmaceutical business.

The inevitable question raised in the market now is how much longer Zantac can keep Glaxo's profits line shooting ahead. Reactions to that imponderable understandably vary but it would be surprising indeed if the drug did not have another four or five years of good growth in front of it before the sales curve starts to level off.

But what constitutes "good growth?" Predictions for the current year already range from around £325m pre-tax to £360m while the early guesses for 1985 are spread from about £380m to £480m. Not surprisingly enthusiasm for Glaxo's shares is suitably varied with some analysts suggesting that the price will mark time while others are talking of an excellent buying opportunity. An earnings multiple of around 17, based on £330m pre-tax for this year, is not excessive for the sector.

### Flat footed

Sears puts more new shoes on more feet than anyone else in the country. Indeed it claims to be the biggest footwear retailer in Europe. But when youngsters opt for garish plastic moulded shoes called "jellies" selling for a few pounds a time it does not do a wealth of good for profit margins. And faced with that fashion Sears' footwear profits fell from £32.6m to £30.2m in the first six months to the end of July leaving group trading profits barely £200,000 higher at £59.5m.

It was not jus tsome midsummer madness for low priced plastic footwear that let Sears down. The horses, too, were not running in the group's favur and profits from bookmakers William Hill fell by £3.2m to £5.5m. Like Ladbrokes, too many favourites won for Hill's liking.

The figures were regarded in the City as disappointing, an assessment which seems fair enough despite the fact that the latest period is comparing with an exceptionally buoyant performance where Sears registered a near four-fifths profit increase. Though it was not all bad news this week; the department store business, including Selfridges, turned in profits £2.7m higher than the £8m of the previous interim while the small Olympus Sportswear operation turned itself around into the black.

Everything depends upon Christmas, as always, but it would be surprising if the group could not push its profits beyond £165m for the full year, a £10m increase. Yet the shares lack much attraction and a prospective p/ eof around 10 reflects the usual low status awarded to the company. Still, with cash in the last accounts of £160m and the obvious potential to gear-up Sears does not lack for ammunition to shoot for a more exciting High Street image by acquisition. Recently, at least, it has not displayed much ambition in that direction.

TERRY GARRETT

## MARKET HIGHLIGHTS OF THE WEEK

| | Price y'day | Change on week | 1984 High | 1984 Low | |
|---|---|---|---|---|---|
| F.T. Ind. Ord. Index | 876.0 | +12.8 | 922.8 | 755.3 | Lingering int. rate optimism |
| F.T. Gold Mines Index | 548.0 | −27.9 | 711.7 | 485.7 | Lower bullion price |
| Ashley Ind'l. Trust | 18 | + 6 | 28 | 12 | Large stake changes hands |
| Atlantic Resources | 98 | + 8 | 142 | 46 | Rumoured Celtic Sea oil find |
| Britannia Arrow | 75 | + 9 | 93 | 63 | Bid speculation |
| Brooke Bond | 124 | + 8 | 125 | 67 | Inc. bid gives Unilever control |
| DRG | 180 | +27 | 180 | 104 | U.S. bid speculation |
| Eglinton Oil & Gas | 83 | −45 | 245 | 76 | Colombian drilling report |
| Hawker Siddeley | 459 | +26 | 484 | 352 | Interim results due Wednesday |
| House of Fraser | 290 | +12 | 292 | 220 | Lonrho stake sale rumours |
| House of Lerose | 113 | −25 | 245 | 113 | Disappointing interim results |
| Leech (William) | 131 | +21 | 160 | 70 | Revived takeover hopes |
| Mercury Securities | 403 | −42 | 620 | 403 | Adverse views on 4-way merger |
| Osceola Hydro. | 90 | −40 | 200 | 85 | Weak Irish oils |
| S.E.E.T. | 110 | +15 | 112 | 85 | Newsletter recommendation |
| Small (J. C.) & Tidmas | 70 | +22 | 90 | 45 | Bid approach |
| STC | 282 | −24 | 372 | 256 | Hopes of B. Telecom order dashed |
| Tate & Lyle | 407 | +19 | 437 | 308 | Revived takeover speculation |
| Telephone Rentals | 210 | −20 | 230 | 168 | Disappointing interim results |
| Westwood Dawes | 30 | +11 | 67 | 19 | Capital injection |

## Marginal gain

**NEW YORK**

WILLIAM HALL

WITH LESS than four weeks to go before the presidential elections, U.S. share prices continue to drift up and down with no clear sense of underlying direction. The market assumes that the return of Ronald Reagan for another four year term is still on the cards and the result will be good for share prices. But as last Sunday's "great debate" between Mr Reagan and Mr Mondale demonstrated, the presidential race is not over by a long shot.

As a result Wall Street remains in a nervous mood and the trading patern of recent months with periods of calm in he equity markets, interspersed with volatile movements up and down, seems likely to continue. Most analysts believe that the market is realtivey firm at current levels but note that it can stinll be "spooked" by unexpected turns on the political front.

U.S. share prices started the week by extending the previous week's losses. Monday was Memorial Day so the banks were closed and trading volume on the New York Stock Exchange was its lowest since New Year's eve, 1982. Share prices, which had lost 34 points in the previous six trading session, continued downwards and by Wednesday afternoon, the Dow Jones Industrial Average had lost another 20 points and looked set to drop below 1160. However, a sharp turnaround late in the day reversed the steep declines and by Thursday evening the market had scraped back above 1180 as bargain hunters moved into a number of stocks which they argued were technically oversold.

The weakness in the equity markets over the last couple of weeks has not been mirrored in the credit markets bond prices have been reasonably firm and short-term interest rates have been heading lower confirming many analysts' views that the Fed has been easing its monetary policy.

The Fed funds rate, one of the most closely watched barometers of Fed thinking, has fallen by more than 100 basis points from the 11.5 per centl evel which prevailed for much of August and September, and by Thursday the three month Treasury bill rate had dipped below 10 per cent for the first time in several months.

Meanwhile, longt erm government bond yields have slipped under 12.2 per cent.

Whilst the general consensus on Wall Street is that the Fed has eased, the extent of the relaxation is not known. Uncertainty on this score is unsettling the credit markets which are facing an avalanche of new Treasury issues overt he next few weeks since several offerings which had been scheduled earlier have hod to be postponed because of Congressional delays in agreeing to boost the Government's borrowing ceiling.

Generally, lower interest rates should be good news for U.S. share prices but Wall Street has also become obsessed with the outlook for U.S. corporate earnings in 1984 and 1985. Recent economic data has underlined the slowdown in the U.S. economy and a number of analysts have been scaling back some overly optimistic earnings projections.

One problem the analysts have been coming up against has been the decline in the number of companies showing "double-digit" earnings increases. During inflationary periods this is common and in the early part of the economic recovery it has continued but over the next 12 months the pace of profit growth is likely to be more modest and some analysts still have to adjust their heady earnings projection: to better reflect economic reality.

E. F. Hutton notes that to sustain "double-digit" earnings growth during a period when U.S. inflation is running at 4 per cent is a "truly substantial accomplishment" which should be rewarded in a pre- the firm firm a 8 per cent to 9 per cent growth i ncorporate profits is a realistic expectation against a background of 7 per 7 per cent to 8 per cent nominal growth in U.S. gross national product.

Last year the S and P earned $14.03 and whilst most analysts are still expecting earnings to rise by more than a fifth this year Hutton is downgrading is own estimate from $17.50 for 1984 to $17.30. It has also downgraded its 1985 estimate from $19.50 to $18.00 which it says is a "pure and simple reflection of our expectation of modestly slower growth and lower inflation."

| | | |
|---|---|---|
| MONDAY | 1,177.89 | −4.64 |
| TUESDAY | 1,175.13 | −2.76 |
| WEDNESDAY | 1,177.23 | +2.10 |
| THURSDAY | 1,183.08 | +5.85 |
| FRIDAY | 1,190.70 | +7.62 |

## The cost of going to market

**BY WILLIAM DAWKINS**

FEW IN the current calvalcade of USM newcomers are likely to have had an accurate idea of what they were letting themselves in for when they embarked on the long journey to a flotation.

The sheer volume and intensity of work needed to prepare for the rigours of the Stock Exchange was highlighted this week by merchant bank Samuel Montagu's new booklet, Going Public in the UK. It is the latest in a long stream of publications by professional advisers keen to entice budding entrepreneurs into their City parlours, but goes out of its way to make clear the constraints which going public can impose on company directors.

"A flotation is costly both in financial terms and in terms of management time. Subsequent compliance also has its costs," warns the bank, which has sponsored eight USM flotations.

It lists no less than 58 documents which have to be prepared for an offer for sale and 24 meetings in which directors have to be involved—a process which Samuel Montagu estimates takes at least three months, though some advisers would argue that was optimistic.

Jeremy Prescott, an assistant director at the bank, and author of the booklet, comments: "There is a growing feeling that the present way new issues are dealt with is inefficient. It seems a pity that the lead time is so long and that the costs are so high when the outcome is so unpredictable."

One of the biggest risks on the way to a flotation, he says, is that of encountering a sudden shift in market conditions during the period—sometimes as long as 10 days—between the pricing of an issue and the start of dealings. Anecdotal evidence suggests that about half a dozen USM issues have turned back from the starting gate because the market unexpectedly moved against them.

Prescott suggests that one way to minimise that risk would be to adopt the U.S. system of fixing prices only at the last minute after the company has met potential investors, and then marketing the shares at great speed through an efficient retail network.

Samuel Montagu estimates that the average USM placing costs the company around £140,000 in professional fees, or £300,000 for a more complex offer for sale. Hard bargaining entrepreneurs are increasingly complaining that flotation bills of that size are unnecessarily high. Yet according to the

**Unlisted Securities Market**

accountants Touche Ross, placing costs have actually declined as a proportion of average market capitalisation from 3 per cent at the USM's inception nearly four years ago to 2 per cent now.

They have risen in absolute terms by 20 per cent since 1980, points out Touche Ross( but that is still only just ahead of 17 per cent general inflation over the same period. Offer for sale costs, on the other hand, have more than doubled over the period, giving some fuel to entrepreneurs' complaints.

were not prepared for the intensity of the work, especially in the last month," says Robert Hawker, director in charge of engineering and finance.

Professional fees, including Simon and Coates' bill, came to £130,000, but the real shock was the extent of the hidden costs of management time. Hawker estimates that the three directors and their chartered accountant spent a joint total of 190 days grooming themselves for the USM.

Charging their time at £30 an hour each, adding in a bit for overheads, and allowing for an eight-hour working day, Hawker estimates that the total hidden costs came to a sobering £49,000. That, of course, has to be set against the facts that the three directors are selling £848,000 worth of shares each and the company is raising £320,000 net of expenses.

The engineering design consultancy, Hawtal Whiting, one of the most recent USM entrants, was certainly taken by surprise by the burden of pre-flotation work. "Obviously, a thorough job had to be done, but at times we wondered whether it was worth it. We

### METHODS OF GOING PUBLIC

| | USM placing | USM offer for sale | Full listing offer for sale |
|---|---|---|---|
| Latest pre-tax profits | £0.6m | £1.8m | £2.3m |
| Market capitalisation at issue price | £6.5m | £19.4m | £29.2m |
| Shares marketed | £1.6m | £4.0m | £8.1m |
| Per cent shares marketed | 23 | 23 | 28 |
| New shares per cent shares marketed | 51 | 38 | 31 |
| Costs | £140,000 | £300,000 | £620,000 |
| Costs per cent shares marketed | 9 | 8 | 8 |

Source: Samuel Montagu





## UK CONVERTIBLE STOCK 13/10/84

Statistics provided by DATASTREAM International

| Name and description | Size (£m) | Current price | Terms* | Conversion dates | Flat yield | Red. yield | Premium† Current | Premium† Range‡ | Income Equ.§ | Income Conv.¶ | Income Diff.◊ | Cheap(+) Dear(−)◊ Current |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| British Land 12pc Cv 2002 | 9.60 | 404.50 | 333.3 | 80-87 | 3.0 | | −5.9 | − 6 to 0 | 28.5 | 25.3 | − 0.8 | − 5.2 |
| Hanson Trust 9½pc Cv 01-06 | 81.54 | 369.50 | 160.7 | 85-01 | 2.6 | | −6.9 | − 8 to 1 | 169.3 | 70.4 | −24.9 | −18.0 |
| Slough Estates 10pc Cv 87-90 | 9.45 | 312.00 | 234.4 | 78-85 | 3.2 | | −8.2 | −11 to −4 | 7.8 | 4.9 | − 0.9 | − 7.3 |
| Slough Estates 8pc Cv 91-94 | 24.72 | 137.00 | 97.5 | 80-88 | 5.9 | 2.3 | −3.1 | − 5 to 2 | 19.9 | 23.2 | 2.4 | + 5.5 |

* Number of ordinary shares into which £100 nominal of convertible stock is convertible. † The extra cost of investment in convertible expressed as per cent of the cost of the equity in the convertible stock. ‡ Three-month range. § Income on number of ordinary shares into which £100 nominal of convertible stock is convertible. This income, expressed in pence, is summed from present time until income on ordinary shares is greater than income on £100 nominal of convertible or the final conversion date whichever is earlier. Income is assumed to grow at 10 per cent per annum and is present valued at 12 per cent per annum. ¶ Income on £100 of convertible. Income is summed until conversion and present valued at 12 per cent per annum. ◊ This is income of the convertible less income of the underlying equity expressed as per cent of the value of the underlying equity. ◊ The difference between the premium and income difference expressed as per cent of the value of underlying equity. + is an indication of relative cheapness. − is an indication of relative dearness. ⊕ Second date is assumed date of conversion. This is not necessarily the last date of conversion.

# YOUR SAVINGS AND INVESTMENTS

BRITISH TELECOM

## Why you should put money on the line

**CLIVE WOLMAN explains how you maximise your profits from the privatisation of BT**

OVER THE past two months, the Government has spent £4m on advertising the attractions of an investment in British Telecom to the general public.

*Not even the combined efforts* of a team of insurance salesmen on high commission have ever amounted to anything like this promotion of an investment product.

According to a MORI opinion poll published this week, 26 per cent of British adults say they are interested in buying BT shares when they are sold by the Government towards the end of next month.

A run of the figures through a pocket calculator suggests they are right to be interested—although not perhaps in the way the Government would like.

Buying shares in BT gives you the right to a choice of perks which should make the shares more valuable than those in ordinary UK companies.

In fact if you agree to buy just £500 worth of BT shares and sell them after only eight months, you should make an annualised return of about 35 per cent tax free. This calculation assumes that the BT share price after selling costs has moved by next August neither above nor below the issue price fixed by the Government.

The irony is, however, that the longer you hold your shares beyond the eight-month period—or the more you invest above the £500 figure—the less your returns are likely to be.

The high returns on your money after only eight months are possible partly because when the Government shares are issued, you have to pay up only £200 for every £500 worth of shares you have agreed to buy.

The second call on your money will come seven months later in late June when you have to put up another £150. The final £150 has to be paid only in March 1986.

But provided you have paid your £200 and first £150, next July you will receive two vouchers which can be used to reduce your next two telephone bills. Their joint value is £36. In addition in August you will receive a dividend which, the stockbrokers estimate, will represent an annual yield of about 7 per cent on the capital you have invested.

A buyer of £500 worth of *shares should receive a dividend* of about £17 before tax. The dividend will be liable to income tax but can be avoided if you sell your shares, in a partly-paid form, a few days before the dividend is due.

The share price will have risen in anticipation of the dividend payment but your payment will be taken in the form of a capital gain.

Capital gains are not subject to tax unless they exceed £5,600 per person per year.

Thus by investing £200 for eight months and £150 for one month, you can receive benefits of over £50. This is equivalent to an annual return on your money of about 35 per cent tax free.

If you hold the BT shares for longer or invest more money, your expected rate of return will fall. This incentive to make a quick profit and sell is hardly in accord with the Government's aim of creating a shareholder democracy. But even if you hold on, your returns may still be higher than what you could earn from any other investment.

As far as the perks are concerned, you are entitled to two extra free vouchers for each additional £500 you invest up to a maximum of £3,000 when you will receive 12 vouchers. Each additional pair of vouchers is payable at six monthly intervals. Thus if you have bought £1,000 of shares or more, you will receive your third and fourth vouchers in January 1986.

The last pair of vouchers, the 11th and 12th, will be payable in January 1988 for those who invested £3,000 in BT shares or more, at the original flotation date.

Thus for a £3,000 investment, you will receive vouchers of £216. Assuming the share price continues unchanged and the dividend yield remains at 7 per cent, then for a basic rate taxpayer the annualised return will be 7.6 per cent.

This compares with a return of 10 per cent net of basic rate tax you might expect from locking your money away in a building society for three years.

However, if you are prepared to hold onto your shares until January 1988—with all the risks that involves as the next election approaches—you may find it more attractive to opt for the bonus shares being offered as an alternative to the vouchers.

You are entitled to receive one bonus share for every ten shares you hold for three years up to a maximum of £5,000. Thus, if you invest £3,000 and go for the bonus shares rather than the vouchers, your bonus will be worth £300—again on the assumption that the BT share price has not changed.

A bonus worth £300—and it will be more if the shares rise in value—may appear a better deal than vouchers worth 216. But whereas the vouchers are being received steadily throughout the three years, the bonus shares do not materialise until the end. This delay and the risks of having to stick with BT shares for three years reduces their value.

Assuming a 10 per cent interest rate, £300 paid out after three years is worth about £250 paid at regular intervals over three years.

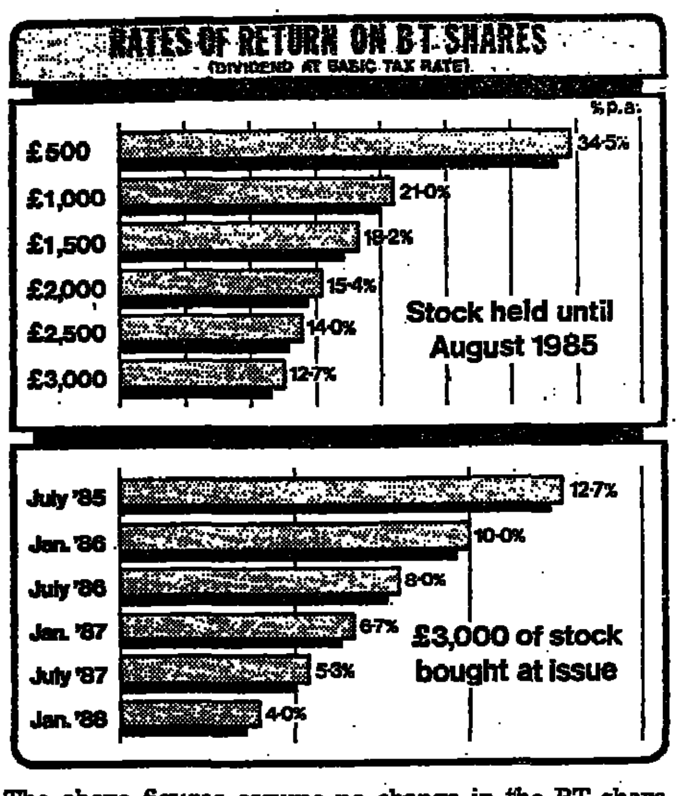
*If your family is flush with cash and you already own a diversified portfolio of shares or* other assets, it may be worth investing a larger sum in British Telecom to extrac the maximum valu eof perks.

Thus you could invest £5,000 to get the maximum number of bonus shares after three years while your spouse could invest £3,000 to get the maximum number of vouchers—if the telephone bill is in his/her name.

So far we have assumed, not very realistically, that BT shares will neither rise nor fall in value. The longer-term growth prosjects for BT, it is generally agreed, are bright. But that is no guarantee that the share price may not fall sharply over the next few years, perhaps because of labour troubles, a general decline in the economy and stock market or the threat of re-nationalisation from a Labour Government.

This question of the riskiness of an investment in BT will be discussed more thoroughly next week.

*Inquiries to: British Telecom Share Information Office, PO Box 2, Bristol, BS 99 7TT. Tel: 0272 276540.*




The above figures assume no change in the BT share price and that the voucher option is taken.

MORTGAGES

## Escape the interest rate trap

**CLIVE WOLMAN and GEORGE GRAHAM discuss whether you are paying too much on your loan and how you can cut the cost**

THE SWINGEING increases in interest rates on mortgages since August—of between 2½ and 3 percentage points—have given borrowers good cause for resentment.

When most home loans were taken out, the mortgage interest rate was close to, and often below, both the inflation rate and the banks' base rate.

Today, however, borrowers are paying a real (inflation-adjusted) rate of interest of between 8 and 10 percentage points before tax relief and 2.5 to 4.5 per cent above the base rate.

But recent developments in the mortgage market have thrown up several ways to reduce the burden of servicing your debt. As the savings can amount to several hundred pounds each year, it is worth considering how to make adjustments to cut your costs.

The developments include the break-up of the building societies' cartel, and the ever-widening interest rate differentials both between different societies and between different sized loans. But perhaps the most important development hash been the entry of outsiders, particularly foreign banks, attracted by the high rates available.

If you have a capital sum available, the simplest way of cutting your debt servicing costs by by paying off part of the mortgage. This, however, will only be worthwhile if your mortgage is above £30,000—and then it should be reduced to £30,000, and no less.

The reason is that investing up to £30,000 you obtain tax relief on the interest at your top marginal rate. Thus you will do better to keep the loan, pocket the tax relief and, if you have any spare capital, invest it. The post-tax returns on your investment, if you have chosen wisely, should be higher than the post-tax costs of borrowing on a home loan.

The one exception to this rule applies if you have taken out a repayment mortgage which has only a short time to run. Because you are repaying capital at a fast rate but the interest is fixed by reference to your debt at the start of the year, the true interest rate you face can be very high. For this reason it may be preferable to pay off the entire debt immediately.

On the face of it, paying off part of your mortgage may push you into a lower interest-rate band, thus adding to the attractions. Higher interest rates are charged on the entire loan and not just on the last "slice" above the threshold.

For example, on a £50,000 repayment mortgage at 14.25 per cent (the rate charged for instance by the Halifax), the monthly payments would be about £509 after basic rate tax relief on the first £30,000.

Reducing this mortgage to £30,000, which at the Halifax would attract an interest rate of 13.25 per cent, would reduce the net repayment after tax relief to £260.10.

The saving in annual outlays could therefore be close to £3,000, a notional yield of nearly 15 per cent on the capital repayment of £20,000.

Investing the same £20,000 with as little risk is very unlikely to achieve as high a yield. Making further capital repayments below this threshold will not offer such attractive returns. Lowering the mortgage from £30,000 to £20,000 could reduce the interest rate to 12.75 per cent, and net monthly repayments only from £260.10 to £168.60.

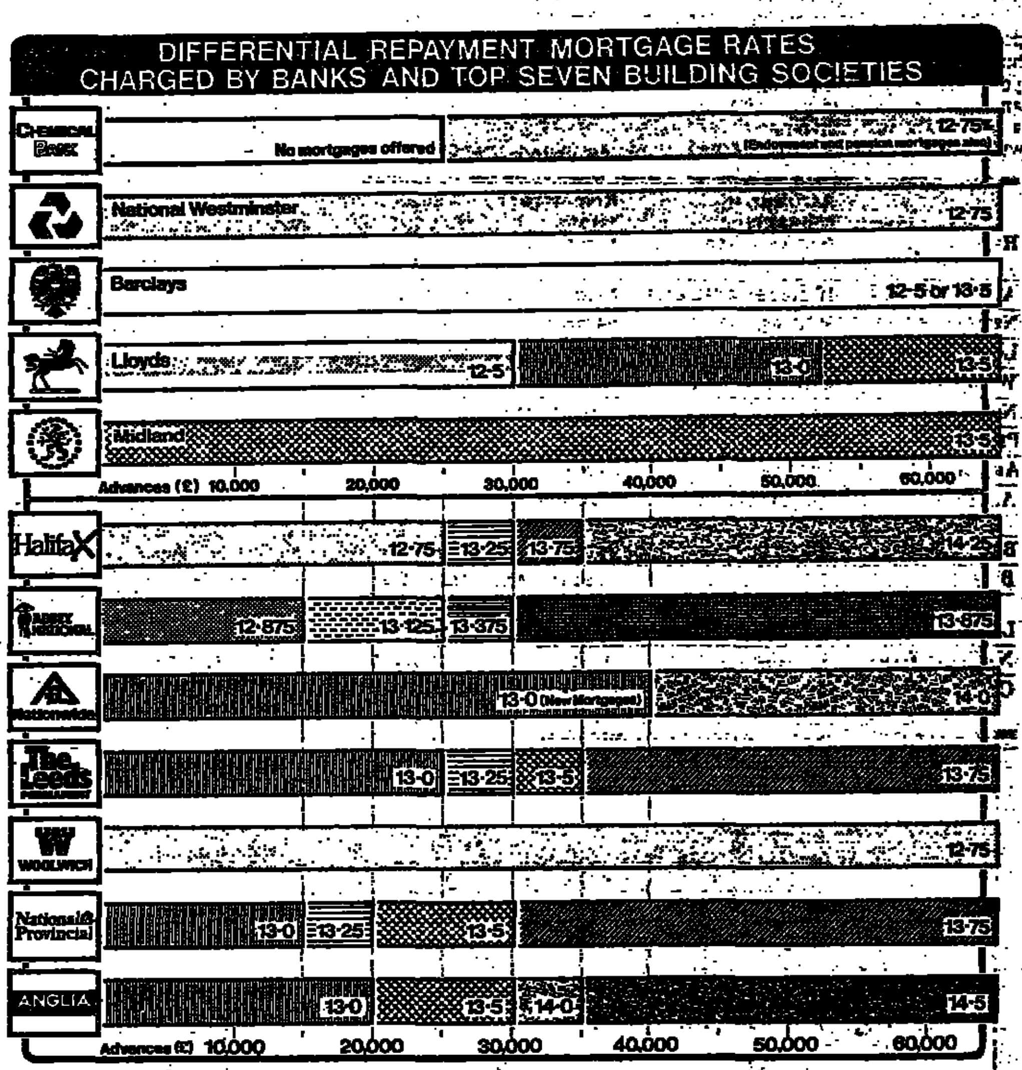
The catch is that very few building societies will apply the lower mortgage rate band if a borrower decides to reduce the size of his or her mortgage.

Abbey National, for example, takes the view that a mortgage completed in an agreed interest rate band continues on that basis regardless.

Among the top ten building societies, only Bradford and Bingley adjusts the interest rate band applying to a mortgage if a capital repayment moves it into a lower band. The Leicester building society is considering making the same adjustment, and there are rumblings at Lloyds Bank's mortgage unit against the present policy.

For the time being, then, most homeowners who might consider a capital repayment as

Continued on Page 9







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# YOUR SAVINGS AND INVESTMENTS

Continued from Page 8

a means of moping to a lower interest rate band must either move house—when a new mortgage would be drawn up—or take on the trouble and expense of switching building society.

Most societies have now ended the practice of charging redemption penalties. In the past these could amount to as much as three months' interest. Anglia, however, charges a £12 fee, and Lloyds may, at its discretion, charge a penalty equal to 90 days interest. In most cases there would also be administrative costs associated with ending the original mortgage, and interest would be charged up to the end of the month in which the change was made. Remortgaging at a new building society also involves solicitors' fees, for the drawing up of the new mortgage agreement, and a valuation fee for the propery, which would produce another bill of £130 to £175.

In addition, some societies charge a higher rate for refinancing than for new mortgages.

Above all, it may not be possible to persuade another building society to refinance your mortgage. Woolwich, alone among the societies in offering a flat rate of 12.75 per cent with no differentials for larger mortgages, now has a waiting list of eight weeks acros the country.

Among the banks, only National Westminster Home Loans will in principle refinance any other mortgage. Midland, Lloyds and Barclays will not refinance building societies' mortgages as a matter of policy.

These factors serve to keep a borrower chained to his bank or building society.

But such anti-competitive arrangements, partly a hangover from the bad old days of the cartel, are now being challenged by the entry of banks, particularly from the U.S. They have no inhibitions about taking over a mortgage from a competitor. Such willing lenders include Bank of America, Security Pacific and the United Bank of Kuwait.

But possibly the cheapest mortgage rates now on offer Chemical Bank, whose main UK branch is at 180, The Strand, London, WC2 (Tel: 01-379 7474). Provided you can take out a mortgage of at least £25,000, you will pay an interest rate of only 12.75 per cent, however large your loan. The rate aplies both to endowment and repayment mortgages. The rate on pension mortgages, too, is due to be cut to 12.75 per cent next month.

Most banks charge 1 percentage point extra for endowment mortgages—and most building societies ½ per cent.

The solicitor's and arrangement fees will be around £175. If you have a copy of your present lender's valuation report, you can save a valuer's fees. Otherwise they will come to about £60

If at present you are paying interest at a rate of 13.75 per cent on a £30,000 mortgage (or would be if you reduced the mortgage to £30,000), you will save £210 a year by switching to Chemical Bank—if you are a basic rate taxpayer. If you are a top-rate, 60 per cent taxpayer, you will save £...120 a year.

So you should recover the administrative costs of making a switch in a period as short as nine months to two years.

But can you be certain that the Chemical Bank will continue to maintain a lower rate than the competition? After all, a mortgage is designed to last for many years.

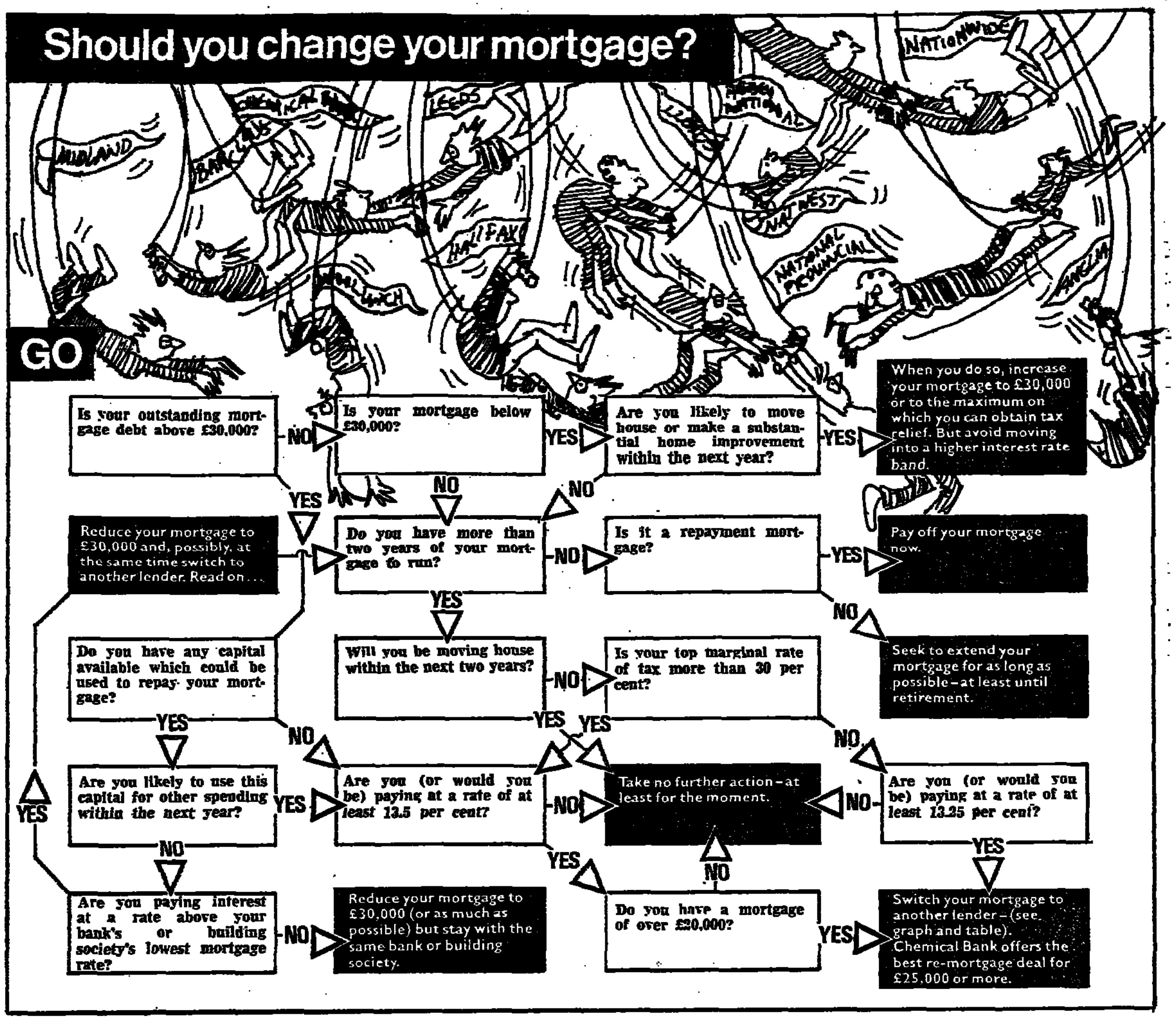
Chris Heard, of the bank's mortgage department which has so far lent out £300m in the UK, says: "We will always pass on as quickly as possible the benefit of lower lending costs. We want to be in this market in the long term and build up our reputation. The real point is that our costs are lower than those of the building societies."

One problem arises if you have an endowment mortgage and wish to detach your endowment policy from the old mortgage and transfer it to the new one. Chemical Bank has a list of insurance companies whose policies it accepts. If your company is not on the list, Chemical will probably still accept it—but this may involve some extra paperwork.

The adjacent decision tree indicates which ways (if any) are most suitable for you to reduce your mortgage costs. The calculations are only approximate. But allowance is made for the costs of switching mortgages and, to some extent, for the trouble and inconvenience it causes.

The advice also assumes that the relative interest rates between different lenders will not change radically over the next two years or so.

| | Attitude to refinancing | Remortgage rates | Availability of funds |
|---|---|---|---|
| Halifax | Not very keen | Same | No delay for investors |
| Abbey National | If money available | Same | Immediate |
| Nationwide | Willing | Same | £175 a month |
| Leeds Permanent | Willing | Same | 4 weeks' wait |
| Woolwich | Unlikely | Same | 8 weeks' wait |
| National and Provincial | Willing | Considered on merits | Generally available |
| Anglia | Willing | Same | 4-6 weeks wait |
| Alliance | For investors only | Minimum 13.5% | Available to investors |
| Bradford and Bingley | Willing | 14.5% (repayment) | Immediate |
| Leicester | Priority to investors | Same | About 4 weeks'wait |
| NatWest Bank | Willing | Same | Available |
| Chemical Bank | Willing | Same | Readily available |



# YOUR SAVINGS AND INVESTMENTS

BANKING

## The tinsel and the hidden costs

FIRST, IT was students who got the treatment. Then it was children.

This week it was the turn of the retired and elderly to receive the attentions and, supposedly, the generosity of the bankers. Midland Bank has launched a Retirement Service offering free banking and other perks to people aged over 55 who have retired or are about to retire within six months. And Lloyds is planning to launch a similar package.

Customers will not have to pay any charges for writing cheques or for their standing orders or direct debits if they keep their current account in the black. If the account goes into the red at any time during the three-monthly charging period, however, the normal tariff can apply.

Nevertheless, this service represents an improvement over the usual current account provisions which require a minimum balance of £100 to qualify for free banking.

But the sting in the tail of the Midland Retirement Service is in the requirement that customers must keep a minimum balance of £2,000 in the Midland's High Interest Cheque Account.

The title "High Interest" only has meaning in comparison with the interest paid on the bank's deposit accounts. The present annual effective rate of 7.3 per cent net of basic rate tax is poor compared with the building society rates. Even with an instant access account, a building society investor can receive 9.5 per cent net of basic rate tax. For longer term investments, it is possible to obtain over 10 per cent.

The potential loss of interest on £2,000, representing £44 a year net of basic rate tax, will more than cancel out the advantage of cheaper current account services for most people.

The Retirement Service also provides free of charge an informative book, advising on many aspects of retirement, and financial counselling. The first interview with an adviser from the Midland Bank Trust Company is free of charge. Thereafter any further advice on personal financial planning costs the standard £34.50 an hour.

All the clearing banks offer some kind of free financial counselling, although it is usually provided only by a local branch manager. Midland's Trust Company undoubtedly has more expertise in financial planning.

The Midland counselling is, the brochure claims, "completely independent and unbiased." However, as with the other banks and insurance brokers, the Midland will be pocketing any commission it earns from advising customers to buy unit trusts, insurance policies, shares and other products. It also admits that if a suitable fund exists, it will tell its customers to put their money in a Midland unit trust rather than those of other management groups.

The final perk is the offer of discounts of between £12.50 and £37.50 per person on the more exotic holidays featured in the brochure of Thomas Cook, a Midland Bank subsidiary.

Clive Wolman

William Fox — in and out of Lonrho five times

## Bullion, Beatles, betting

Investment Tales

BY STEFAN WAGSTYL

WILLIAM FOX will always remember his first investment —made in 1930 in Australian gold mines.

Then aged 18 he put £50 in a company run by a financier named Claude de Bernales. The shares shot up and within two weeks Fox doubled his money and sold for £102.

Shortly afterwards, the shares plummetted when it emerged that there was no gold in the mines of Bernales.

This first foray into the stock market taught Fox a lesson he has never forgotten, that timing is everything in investment.

"What you buy is much less important than when you buy it and when you decide to sell."

Fox also learnt something about himself from that first investment. "I'm a bit of a gambler by nature, but I don't gamble on anything else except the Stock Exchange."

Fox, who is aged 72 and lives with his wife in Torquay, retired a few years ago after working most of his life as a bank clerk.

Not having much money early in life, he spent many years studying the market before he began investing seriously in the 1960s.

Out of his earliest investments was in the Beatles. He bought shares in Northern Songs, the music publisher which owned the sing titles, and sold them after two or three years at a useful profit.

The debate over the dangers of eating too much butter gave Fox food for thought. He bought shares in the Malaysian estates company Harrisons and Crosfield because of its interests in palm oil—a vital ingredient in margarine, which received a big boost from butter's troubles.

Stearily Fox's portfolio grew from a few hundred pounds to a few thousand. In the last 11 years his investments have doubled in value.

Fox is an avowed speculator, buying and selling shares quickly, generally hanging on for only a few months.

This is the only way, he says, for the small investor to make progress on the stock market. But he rages at the stockbrokers' commissions he has to pay. "It is inquitious that all commissions are geared to supporting expensive research which I don't use."

He makes up his mind about stocks and shares by following prices in the newspapers. In picking companies, he looks at "fashions and fads" among consumers and also has an eye for technological change. But he stays away from electrical and electronic stocks because, he says, he does not understand what they do.

Bookmakers like Ladbroke and casinos like Pleasurama are a favourite. "I went into all forms of gambling as soon as they began to be quoted on the Stock Exhange," said Fox.

Fox is also keen on raw materials after his early success with Harrisons and Crosfield. His current portfolio is a mixed bag which includes minig finance, Japanese and Australian units trusts, offshore currency funds, index-linked gilts and palm oil plantations.

But the logic which binds all these investments together is the question of timing. Fox looks for shares with a low price/earnings multiple, in other words those which look cheap, and considers buying them if they are close to a 12-month low.

A share which reaches a 12-month high is generally sold, if he can get a profit net of expenses. He is very insistent on selling after a share shows a profit of about 30 to 40 per cent. "My biggest mistakes always came from 'hanging on too long'."

Fox agrees that his strategy is risky. But he says he does manage to secure an income 5 per cent from his investments over and above any capital gains.

But it is the volatility of stocks and shares which attracts him. "I've been in and out of Lonrho at least five times because they go up and down so much. "It's simple. I try to buy when they're going up and sell when they begin to come down."

# Outlook bright as inflow of funds is set to grow

BY CLIVE WOLMAN

THERE CAN be few industries which have achieved an average annual compound growth in their "assets" of 33 per cent for the past three years and which more than doubled their sales last year.

The cynics have a ready explanation when told that such is the record of the UK onshore unit trust industry, which now has £13bn of funds ("assets") under management.

They claim that this is merely an indication that the bull markets around the world over the past two years have come to an end. The little man, the theory goes, is always lured into the market just when the professional investors start looking for victims onto whom they can offload their stock.

But the events of the past few months suggest that the unit trust industry has acquired a greater degree of resilience than it had in the mid-70s. Despite the sharp fall in most of the world's stock markets in May, sales remained buoyant. And when a downturn in sales occurred in July, it lasted for only four weeks before investors' money began to flow in again.

Not that investors have failed to react to changing stock market trends. But during the summer months, the most common response was not to withdraw money out of unit trusts altogether but merely to switch between funds. The major flow of money was out of the Japanese unit trusts, which during the winter months sprang up with unprecedented frequency and attracted record amounts of money. Framlington's Japan fund alone attracted £20m at its launch.

The chief beneficiaries of the switching were the U.S. funds which regained their popularity following the upward spurt in Wall Street prices at the end of July.

Such swift reactions have usually not been those of the individual investor but of the professional, unit trust brokers and advisors who have come to play an increasingly important role in the marketing and distribution network.

It is these intermediaries who have been primarily responsible for the trend towards ever greater specialisation of unit trusts. Among the 680 trusts now on offer, there are three Japanese smaller company funds, three Singapore and Malaysian funds, one Australian gold fund, and one global healthcare fund.

Specialisation allows the *intermediaries more say about* where their clients' money should be invested. It is doubtful, however whether all their activity has generated greater profits. A survey carried out by the magazine Planned Savings in March suggested that only half the intermediaries who participated made any extra money by switching rather than leaving the original selection of unit trusts unchanged.

**There are now more than 700 authorised unit trusts. At this rate of expansion investors will have a greater range of trusts to choose between than the 739 companies which make up the FT-Actuaries All Share index.**

But this switching activity is a major source of revenue both for the intermediaries and salesmen, who work on a commission basis, and for the unit trust management groups.

In what was the first stockbroker's analysis of fund management companies quoted on the Stock Exchange, Mr David Freud of Rowe & Pitman produced in May an estimate of the importance of these initial charges.

Four of the five quoted companies, Henderson Administration, Britannia Arrow, Framlington and Aitken Hume, receive almost as much from their retained initial charges (including switching fees) as from their annual management fees which are charged as a percentage of the managed funds. M & G is the exception as it is already a large and mature group. Framlington, a small rapidly growing company which pays out lower commissions than most of its competitors, in fact generates more revenue from its retained initial charges than from its management fees.

This suggests that even in a bear market, when the value of funds under management falls and there is no longer a net inflow of funds into the sector, profitability can be maintained provided switching continues. Another ground for optimism—at least from the point of view of the management company, although not their clients—is the freedom the companies now have to raise their charges.

Since the Department of Trade lifted its controls five years ago, the initial front-end charge has risen typically from 3.25 per cent to 5 per cent and the annual management fees from 0.5 per cent to 1 per cent. The charges are usually less for gilt funds but sometimes more for overseas funds. And, due to the relative lack of sensitivity of the customers, the upward pressure on charges continues.

The other consequence of the unit trust marketing system—and a corollary to the specialisation and switching—is the formation of more and more unit trusts and the entry of more and more management companies.

One hundred new unit trusts were set up in the 16-month period to September. There are now over 700 authorised unit trusts. At this rate of expansion, by early next year investors will have a greater range of trusts to choose between than the 739 quoted companies which make up the *FT-Actuaries All Share index.*

The expansion comes mainly from the development of international unit trusts since the abolition of exchange controls in October 1979. Then there were only 281 international or overseas unit trusts. Now there are over 450. The sharpest growth has been in the Japanese and Far East (or Pacific Basin) unit trusts from 20 five years ago to 87 today.

But an equally important factor has been entry of new management companies into the market. After the shake-out of the mid-1970s, the industry was dominated by less than 10 companies, as the smaller fry were taken over and their trusts merged. Even today only 35 companies account for about 90 per cent of funds under management.

However, in the first nine months of this year, another 14 companies set up unit trusts under their management—and 10 did likewise in 1983. The total number of management companies registered with the Department of Trade and Industry is now 140.

Some of the newcomers have been life assurance companies, such as Scottish Life, which appeared in March. Some, such as Waverley Asset Management, have been set up from scratch, often by people with a stockbroking background. Stockbroking firms (Fielding Newson Smith) and merchant banks (Kleinwort Benson) have also come into the market in the past 2½ years.

The driving forces have been mainly the high potential profitability of unit trusts—particularly when compared with the management of pension funds where margins have been squeezed ruthlessly in recent years—and the desire to make an impact on the retail, *small* investor market in preparation for the shake-up in the Stock Exchange—due in 1986—and in related financial services.

Another factor has been at work on the largest entrants in the last two years, the investment trust management groups. *These include Touche Remnant,* Foreign and Colonial, Martin Currie (using the title Scottish Unit Managers), Atlantic Fund Managers and most recently Baillie Gifford. Fears of take-*overs and enforced liquidations* of their investment trusts in a bid to reduce the size of the sector and the discount of share price to net asset value have been influential.

Martin Currie in fact managed the largest of several investment trusts which in recent years *have been forcibly* taken over by outside investors and converted into unit trusts — to allow the investors to cash in their stakes.

There are likely to be many more *reluctant* newcomers on the unit trust scene from this source over the next few years.

The Rowe & Pitman report singles out several other factors which should, it believes, boost the longer term profitability of the management companies and the inflow of money into unit trusts. These include the unlocking of wealth in housing by the older generation, rising real incomes and a more encouraging outlook for corporate profitability and equity markets.

A more immediate cause for optimism however has been the changes in this year's Budget in March and the Government's pensions initiative. Even in the first Thatcher Administration, the Conservative Government gave two major boosts to unit trusts — by abolishing exchange controls and exempting unit trusts from tax on their internal capital gains.

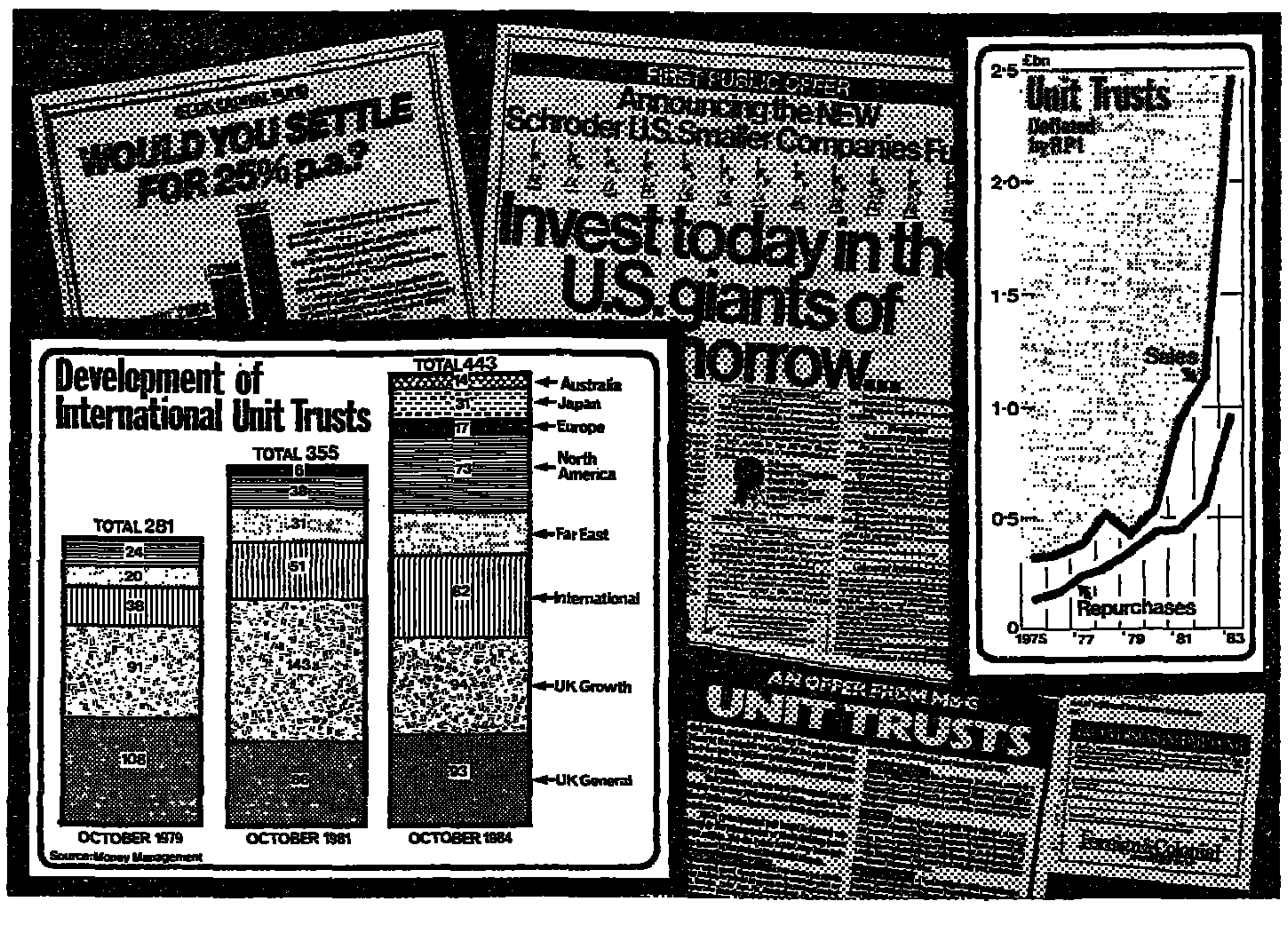
The removal of life assurance premium relief by the Chancellor also removed most of the advantages that life policies had as a long-term savings medium over unit trust savings plans—at least for the basic-rate taxpayer. Higher-rate taxpayers *can still partially shelter* their investment returns in a life office fund. However, the liability of these funds to capital gains tax gives unit trusts a fiscal edge for other taxpayers.

In the first six months after the Budget the unit trusts were slow to exploit their advantage. The much higher commissions life offices were able to offer intermediaries ensured that life policy sales did not fall off dramatically.

The life offices reported a decline in business in the second quarter of the year compared with 1983. But the 1983 figures were boosted artificially by changes in the method for giving mortgage tax relief. And a survey carried out by market *researcher MORI* for Sun Life of Canada indicated that only 44 per cent of people questioned were aware that tax relief had been removed, and 80 per cent had no idea of the amounts involved.

Now unit trust commissions have been raised to a level comparable with those of life offices, life offices are likely to encounter more competition from unit trusts in another area too —that of pensions.

Provided that the Government keeps to its commitment to introduce legislation to facilitate portable pensions for employees, unit trusts are likely to be the primary recipients of the savings of mobile workers looking for some degree of stock market exposure.




## Current value of £1,000 invested*

| | 5 years ago | 10 years ago | 15 years ago |
|---|---|---|---|
| General fund | 2,247 | 4,166 | 3,884 |
| Growth | 2,271 | 3,942 | 4,204 |
| Equity | 1,984 | 4,255 | 4,486 |
| North American | 2,724 | 3,075 | 2,685 |
| Far Eastern | 2,316 | 3,398 | 2,980 |
| European | 1,737 | 2,850 | 2,861 |
| International | 2,448 | 3,478 | 3,410 |
| Commodity & Energy | 2,169 | 3,822 | 4,316 |
| Financial & Property | 2,447 | 3,164 | 3,754 |
| Investment Trust Units | 2,593 | 4,820 | 3,289 |
| Preferential Share Units | 1,410 | 2,633 | 2,242 |
| Gilt & Fixed Interest | 1,566 | — | — |

* With net income reinvested

## Number of funds in sector

| | 5 years ag | 10 years ago | 15 years ago |
|---|---|---|---|
| General funds | 73 | 57 | 32 |
| Growth | 55 | 45 | 17 |
| Equity income | 68 | 42 | 19 |
| North American | 28 | 14 | 5 |
| Far Eastern | 21 | 11 | 1 |
| European | 5 | 4 | 1 |
| International | 39 | 29 | 11 |
| Commodity & Energy | 17 | 11 | 8 |
| Financial & Property | 12 | 11 | 6 |
| Investment Trust Units | 7 | 6 | 4 |
| Preferential Share Units | 6 | 3 | 1 |
| Gilt & Fixed Interest | 1 | — | — |

# UNIT TRUSTS—2

# Changing scene for protection

BY ERIC SHORT

THE UK Government is currently considering the whole field of investor protection, based on the findings of Professor Jim Gower. His report on the subject earlier this year gave a clean bill of health to authorised unit trusts and the management groups that run them, while every other financial institution was found wanting to a greater or lesser degree. Indeed, Professor Gower felt that the movement, if anything, was over regulated.

The companies division of the Department of Trade and Industry (DTI) is responsible for the regulation of the unit trust movement. It authorises the trust, approves the managers and management company, the trustees, the method of calculation of the unit price and above all the trust deed for each particular unit trust. After that, trust law and practice controls the operations of the various unit trusts.

The DTI is noted for the meticulous way in which it scrutinises the trust deed to ensure that the investor in unit trusts is fully protected—an early example of investor protection. The investments of each unit trust are held by the trustees—usually a corporate trustee—whose responsibility is to ensure that such investments conform to the investments permitted under the trust deed.

However, Professor Gower's main concern in his Review of Investor Protection, related to the marketing of investments. The unit trust movement has always kept a tight rein on marketing methods with emphasis on persuading investors to approach the unit trust managers rather than subjecting investors to any high pressure sales approach. Some unit trust management groups are still wary of direct selling of units.

It is interesting to note that the entrepreneurs which came on to the UK investment scene in the 1960s and 1970s set up unit-linked life companies rather than unit trusts, because of the marketing freedom and lack of control of life companies. Professor Gower felt that unit trusts could relax somewhat their controls on marketing without loss of protection to the investor.

However, changing UK investment scene is bound to affect the unit trust movement. Professor Gower's initiative has been taken up by Mr Robin Leigh-Pemberton, Governor of the Bank of England. He has put forward his view for protecting investors through Self-Regulatory Agencies (SRAs) and considers that the whole investment field can be covered by four such SRAs.

This has been followed by Mr Alex Fletcher, Minister for Corporate and Consumer Affairs, writing to the Life Offices Association and other interested bodies asking them to produce details for a proposed SRA to control the marketing of life assurance and other long-term investments.

The Unit Trust Association (UTA) was one of the bodies involved in considering Mr Fletcher's request and pended its signature to the reply sent to Mr Fletcher on August 31 this year.

These proposals envisaged the SRA controlling all long-term investment marketing under four main headings—licensing of all salesmen, control of advertisements and pro- and the handling of complaints.

The one notable exception to the structure of the proposed SRA concerns the control of commissions. The UTA holds the view that commissions to intermediaries should be regulated by the particular industry association, as at present by the UTA, and not by an SRA. Other bodies have reservations on the commission proposals.

The UTA has a long history of success in controlling commission payments, with the ability to adapt its commission levels to meet changing market conditions.

The success of the UTA in controlling commissions is in complete contrast to the life assurance industry, where all attempts to devise a new system to replace the previous one, which broke down two years ago, have failed to get universal acceptance among all life companies.

In this attitude to commissions, the UTA disagrees with Professor Gower's views that commissions should be regulated by the appropriate SRA and that commissions should be standardised between unit trusts and unit-linked life assurance. The UTA argues that charges on unit trusts are clearly stated and defined. There is no scope for commissions abuse, as with life assurance.

However, the Government has not yet expresed its views on Investor Protection. A White Paper on the subject is due by the end of the year.

It will be interesting to see what impact there will be on the unit trust movement, not only in marketing, but in the control of investments and investment managers. The Leigh-Pemberton's proposals envisage an SRA regulating investments.

Professor Gower, in his report, stressed the need for competence as well as integrity in investment managers. But the unit trust movement is already subject to DTI control and scrutiny, while competiton between management groups has ensured high standards of investment management in the movement.

Finally, the unit trust movement has been waiting for an EEC directive, now expected (hopefully) next year. The draft has got bogged down over the scope of the directive—whether it applies to all open ended investment funds or just those being marketed outside the country of origin to other EEC countries.

The directive would set down disclosure requirements—not that this would cause many problems to UK authorised unit trusts. It is the marketing aspects, including door-to-door selling, that would affect them. Progress is slow, but the object of being able to market unit trusts freely in the EEC must





# Tougher times for life links

BY ERIC SHORT

THE present and the immediate past Tory Governments have been kind to the unit trust movement, while the present Chancellor of the Exchequer, Mr Nigel Lawson, has been hard on the UK life assurance industry. The net result is that the marketing of units through a unit linked life contract, once all the rage, is now far less attractive than marketing unit trust plans direct.

The 1980 Finance Act removed the liability of unit trust funds from Capital Gains Tax. The CGT liability was placed on the unitholder at the time he cashes-in his units, but he can offset his exemption limits against this liability. Life companies investing in units for unit-linked contracts, or in any other investment have to pay Capital Gains Tax on all holdings but UK gilts, and from this year certain other fixed interest holdings.

This move in 1980 swung the balance of investing lump sums from linked bonds issued by a life company to direct holding in units.

A unit trust fund pays no tax on its franked income — that is on dividends from UK equity holdings. On unfranked income — all other investments — less expenses it pays Corporation tax. The unitholder receives dividend payments net of basic rate tax and is subject to higher rate tax on these distributions. On cash-in he pays CGT — which he can offset against his annual exemption, now £6,300 a year.

Life companies pay no tax on franked income, since they receive equity dividends net. But they have no offset for Capital Gains. Unfranked income less expenses is taxed at 37½ per cent. The policyholders pay higher rate tax on the profit on his bond at cash-in.

There has been considerable discussion since 1980 on which method is the more favourable for the investor. Comparisons are far from easy. The straight unit trust price should improve at a slightly faster rate than units held by a life company because of the CGT position. The taxation at cash-in will depend on the amount invested and the investor's tax position at the time.

On balance, direct investment in unit trusts is far better for the basic rate taxpayer, particularly if the investment is small enough to avoid CGT. The situation for higher rate taxpayers is far from clear.

The life assurance industry is still suffering from the loss of LAPR, which gave regular savings plans a definite edge over direct regular savings in unit trusts.

Regular savings life contracts have to provide a high level of life cover, while direct investment into unit trusts has no live cover whatever. This is a two-edged factor for life companies.

They can make a virtue out of the lump sum, tax free, paid if the investor should die early after effecting the contract. But the cost of paying for this life cover comes out of the unit allocation and many investors are solely interested in maximising their investment.

The unit holder investing directly in unit trusts will pay CGT on his gains at cash-in. However, the life contract regular savings will be free of all taxes if held for at least 10 years and subject to higher rate tax if cashed-in earlier.

The calculations as to which is the better means of investment for the investor are even more complicated than for lump sum investment, taking tax and life cover into account.

The tax free cash-in on life contracts is still a powerful factor, particularly for the higher rate taxpayer. The position for the basic rate taxpayer is far from clear.

Nevertheless, the unit trust groups now feel that there is a market for direct regular investment in unit trusts and have recently altered the commission structure so that intermediaries can market such plans. But this in itself does not herald the demise of regular savings linked life bonds for three reasons.

One, the tax free cash-in will always be attractive to the higher rate taxpayer.

Two, regular savings linked life contracts offer investors opportunities to switch into other forms of investment outside equities and gilts on very favourable terms.

Three, the commission payments on the long-term life contracts are still attractive to the intermediary.

However, the unit trust groups should see a surge in direct regular savings into units especially from the smaller saver. But this growth will not herald the end of the maximum investment plans from the life companies. Life company salesmen are likely to target their sales towards the higher rate taxpayers.

The unit trust movement has for some years now been concentrating its market efforts to those individuals who hold large sums of money in share accounts with building societies and have left such sums untouched for several years. The sales pitch from the Unit Trust Association has been to show that over several years an investor in unit trusts would have done far better than with a building society, despite the ups and downs of the market.

The UTA does not have any figures to show how successful it has been in wooing the investor away from the building society. It does point out that funds under management by unit trust groups have doubled over the past two and a half years—a growth rate not matched by building societies.

While unit trusts have been attacking building societies, they have in turn come under attack from investment trusts.

The Investment Trust Association has been strongly promoting the virtues of investment trusts, in particular the potential gains from the discount—the difference between the asset value of the investment trust and its share price.

At one time the discount proved to be a bar to promoting investment trusts, especially when the size or the discount widened to between 30 and 40 per cent. Now it has narrowed to its present levels of around 20 per cent, the ITA is telling investors that the potential is there for investment returns simply from the discount narrowing even further.

The ITA has also endeavoured to show that investment performance from investment trusts has been somewhat better over the past five or more years than the average investment performance of unit trusts. Much of this comes from the narrowing of the discount and the mix of assets in investment trusts than from any superior investment performance. Many investment houses have both unit trusts and investment trusts.

While investment trusts have made a strong recovery in investor popularity over the past few years, they are still catering to a different class of investor than unit trusts. One cannot see them contending seriously with unit trusts over a wide segement of the investment market. Competition is likely to be confined to certain narrow classes of investor.

## A Major Force in International Investment

**ON Monday and Tuesday next week a Financial Times conference entitled Unit Trusts—a Major Force in International Investment will be held at the Royal Lancaster Hotel, Lancaster Gate, London, W.**

**It will be chaired by Miss Audrey Head, chairman of the Unit Trust Association and managing director of Hill Samuel Unit Trust Managers, Mr Jeremy Edwards, joint managing director of Henderson Administration Group and chairman of Henderson Unit Trust Management, and Mr Cholmeley J. Messer, chairman of Save & Prosper Group.**

**Subjects to be discussed on October 15 include: The Mutual Fund Industry in the U.S.; Investment Trusts in Japan; Europe—Moving Towards One Market; and Unit Trusts in Australia, Canada, Hong Kong, South Africa and the UK.**

**Those for October 16 include: Where to Invest; Current Outlook; Savings and Fiscal Privilege; New Freedoms—The Case for Change; Implications of Change in Financial Markets; The Unit Trust Advisory Service; and New Market Developments.**

**More details of this FT conference are available on 01-621 1355 (24-hour answering service).**



# UNIT TRUSTS—3

## Variations in performance

BY CLIVE WOLMAN

IN THE hierarchy of ingredients for the success of a unit trust management group, long-term investment performance stands far below marketing and administrative efficiency.

Several management groups report that investors who have lost thousands of pounds due to poor investment management are easily consoled if someone is prepared to explain the difficulties caused by currency fluctuations and so on. But send them the wrong certificates or fail to answer their letters promptly and they are likely to cash in their units in anger.

Investment performance is widely used as a promotional tool, although the figures highlighted are often a poor reflection of the overall group record. A strong investment record has been a major factor in the growth of management groups such as Henderson Administration, GT, Fidelity and Framlington, but by no means the only one.

However, other groups, in particular Allied Hambro, owe their rapid growth less to their investment performance than to efficiency and training of their marketing and sales organisation and to their institutional links.

To the extent that performance is important, the emphasis is increasingly on the short-term. Unit trust managers, brokers and intermediaries scan the monthly performance tables avidly even though the actuaries have demonstrated frequently the difficulties of drawing any conclusions from performance records of less than five years.

The long-term performance figures of unit trusts are generally unimpressive. In most cases the managers would have done better if they had selected at random a diverse portfolio of shares and stuck with them.

Figures produced by the Unit Trust Association in January show a consistent and substantial under-performance by the median fund in 13 of the 14 investment categories over five, 10 and 15 years. The basis of comparison is the FT-Actuaries All Share index, the broadest measure of the UK stock market.

This is not an adequate basis of comparison for the international funds. Comparison of their performance with the local stock market indices is at least slightly more flattering. Also the UTA figures calculate the unit trust performance on an offer-to-bid basis to take into account the entry charges borne by the investor.

However a more rigorous analysis by Exeter University's Esmée Fairbairn Centre for Unit and Investment Trusts demonstrates that even on an offer to offer basis, the medium UK unit trust has under-performed the All Share Index over the five years to January 1984.

Nevertheless, there was a wide variation in performance with some funds achieving returns of 75 per cent above the median and others with profits less than 50 per cent of the median.

Clearly the choice of fund is crucial. But the details of performance provided by the groups are so superficial that it usually is impossible even for an actuary, let alone the unsophisticated private investor, to determine when high returns are the product of superior judgment and ability—and when they are merely the consequence of taking high risks and getting away with them.

The problems are compounded by the difficulties of finding a suitable benchmark by which to measure the performance of overseas and sectoral funds.

The Capital International index of world stock markets is often used as the most appropriate benchmark for general international funds. Its drawback is the heavy weighting it gives to the U.S. market, over 55 per cent of the total. This reflects accurately the total capitalisation of the stocks on the various markets. But it does not allow sufficiently for the desire of investors in these unit trusts to achieve a wide spread of investments across world markets.

There are similar difficulties in finding a benchmark for trusts like a Japanese and Pacific fund or a Gold and General fund where the fund managers specialise in one market or sector but have the right to switch to another or to go entirely into cash. The problem of currency adjustment falls into the same category when managers have the right and willingness to hedge against fluctuations.

The underlying problem is whether the benchmark should incorporate specific types of risk when the manager has the ability to eliminate them.

Perhaps it will only become possible to separate the wheat from the chaff when professional intermediaries and investors demand from unit trusts not only an auditor's report — but also an actuary's analysis.

This would have a clear bottom line stating whether over the long-term the investment managers had added value to the fund by their activities (after adjusting for risk) had matched the relevant stock market index or indices (i.e., done as well as would a weighted portfolio of all the stocks) or had under-performed the index. The index would have to be constructed by reference to the managers' objectives and powers.

Thus the investor could tell at a glance whether or not the fund managers had shown any stock-picking or investment timing abilities.

## Limited role in pensions

BY ERIC SHORT

THE pensions sector is one of the largest and most important in the UK savings market. Current assets of this sector are in excess of £120bn and growing by some £13bn every year. Yet the share of the unit trust movement in this sector has been limited.

Traditionally, it has been the life companies which have been one of the main providers of investment and administration services to pension funds. Thus the involvement of unit trust groups in the pensions sector has been either through a life company subsidiary and/or through a link with an established life company.

Indeed, personal pensions for the self-employed, Section 32 buy-out annuities and executive pensions contracts can be offered only by life companies. Framlington — one of the top-performing groups — will be the latest group to move directly into the pension field when it launches its life company in the New Year.

Unit trust groups do play an active role in pension fund investment for self-administered pension schemes, either directly through a fund management arm or indirectly through offering exempt unit trusts. Unit trust groups were in this latter field long before life companies started offering pension managed funds.

The groups have tended to concentrate on offering specialised funds such as smaller companies, or technology funds, or overseas funds—sectors of the investment market where pension funds would put only a small part of their assets and thus would use outside expertise rather than try to build up an in-house specialist team.

### Expertise

The ending of exchange controls four years ago resulted in a rush by pension schemes of all sizes to build up overseas holdings. While the large funds used in-house investment teams, many of the smaller and medium-sized funds invested overseas by using the expertise of unit trust groups, both through direct fund management services and the special exempt unit trusts.

Unit trust groups have been reporting a steady increase in unit sales to other financial institutions, as pension fund managers realise that unit trust groups do have a wealth of expertise in many overseas and specialist fields.

The Government's proposals to introduce a system of personal pensions, announced in July by Mr Norman Fowler, Social Services Secretary, could open new investment vistas for unit trust groups, particularly the smaller groups with no life company subsidiary.

Under these proposals, an employee would be able to opt out of his employer's pension scheme and/or the state earnings-related scheme and make his own pension provision.

The proposals envisage an employee building his own assets through investing his and his employer's pension contributions, and at retirement using the accumulated value to buy a pension. This is known as the money purchase principle.

Under modern personal pension contracts marketed by life companies, the need for an insurance element does not come in until the investor reaches retirement and starts drawing his pension. And the investor has the so-called open market option of using the accumulated value of the contract to buy the pension from another life company.

There is no reason why the investment element up to the time of retirement should be confined solely to life companies. Other institutions could handle this.

The Government accepts this and its proposals list a variety of institutions including unit trusts, which could offer investment on personal pensions. The Unit Trust Association intends to press the case for direct investment in units in its response to the proposals.

If this happens, then unit trust groups will be able to sell direct to individuals, for pension investment, instead of through a life company as is the case at present for self-employed pensions. Some groups are talking about personal pensions heralding an investment boom. Others are adopting a more cautious line. But some vital bones are missing from the skeleton proposals and others are not connected properly.

To start with, the contribution levels are so low that for most employees the employer's pension scheme will still be the better means of providing a pension, especially since the early-leaver problem has been partially solved.

Secondly, married employees will have to provide benefits for their spouses. This is an insurance element that can be provided only by a life company. It will cause marketing problems if the unit trust group can only offer investment and the employee has to look elsewhere for the spouse's benefits. This problem will aply to building societies and other institutions. But it can be overcome by groups without a life subsidiary arranging special schemes

# UNIT TRUSTS—4

## *General funds dominant*

BY JEFFREY BROWN

THERE WERE 658 separate funds on offer in the UK at the end of August, according to the Unit Trust Association whose members include all but a tiny handful of fund management groups. There were some 70 in 1964, and over the years this rapid outpouring of new unit trusts has led to both increasing specialisation and a general blurring of the dividing lines between the various categories of fund.

In many ways though the broadly-based general fund still predominates, providing the fund groups with a firm base from which to spread out in all directions.

It may be a trifle slower on its feet than some of its more specialised rivals, but investor demand remains very steady and in terms of sector size and portfolio value the general unit trust remains a major force within the industry.

The unit trust statistics published by the magazine Money Management underline the point. There are no fewer than seven funds with a portfolio value in excess of £100m in Money Management's general fund category, including the biggest in the industry, the TSB General which is valued at £230m. Between them the other categories—there are 14 separate sub-headings in all—can muster just six more £100m plus funds.

Of course, it can be argued that general funds tend to be larger because they led the field. They were the first type of fund to come into operation and have remained top-heavy solely through investor inertia. They need to be shaken out, the specialists say. For all this, the attractions of long-term, lock-away investment would seem to be as firmly in favour as ever.

### Attractive

Broadly based funds tend to be less aggressively managed. This keeps their cost structure to a minimum and is good for investors in terms of fees. But they also offer a number of less obvious cost advantages. Some regular savings plans attached to general funds allow very modest amounts to be tucked away on a monthly basis, whereas the average down payment investment for the funds industry is several hundred pounds.

A less rapid movement of money within the fund coupled with relative investor stability—the movement of cash out of the fund—also protects the investor from the hidden cost of spread manipulation by management groups. The upper and lower limits for fund valuation can be as much as 13 per cent apart. Funds with an active turnover can display some fairly sharp day-to-day fluctuations in buying and selling spreads.

On a five-year view, general funds are among the better performers, lying fourth out of eight major unit trust sectors in the Money Management league tables at the end of August. The first three places go to funds aimed exclusively at overseas investment, notably in Japanese and other Far Eastern stock markets. The average performance by the top Far Eastern funds outstrips the UK general counterpart by more than a fifth.

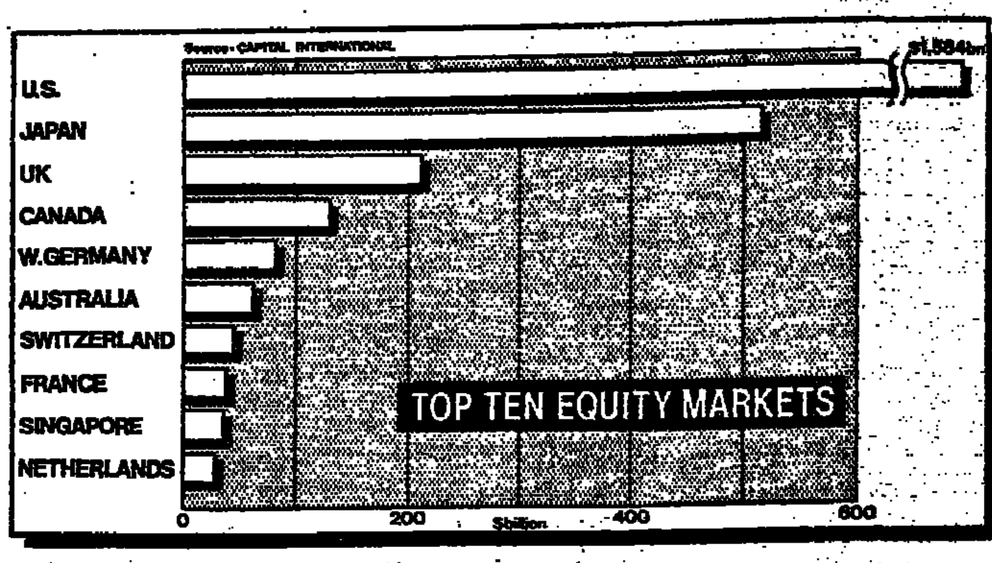
In some way, the main focus of the unit trust industry is on specialised funds. Lock-away investment is all very well, but it does nothing for the industry's fee income. Ideally, what a management group likes is plenty of investor switching within its stable of funds, and in recent years unit trust companies have raced to widen their range of services.

Virtually all the funds geared to overseas investment, which account for the most obvious group of specialist funds, are growth funds. Dividend income from outside this country faces a number of stiffish tax hurdles, including, in many cases, withholding tax as it leaves its country of origin. This concentration on growth immediately removes one of the central pillars of the classic general fund.

Can the specialisation of the unit trust industry be taken any further? Not too far, is the stock answer. There is very little that is new to come, only the packaging differs. The fund of funds approach recently unveiled by the Arbuthnot group could quickly inspire rivalry once it is seen to be given approval by the tax authorities, among others.

Looking further ahead, there seems little prospect of the bewildering number of unit trusts being reduced through the integration of fund groups. The industry is going through a cyclical peak in terms of profits so there is scant chance of anyone being forced to seek a takeover. Moreover, closing a fund down or integration with another, is seen by the industry as an admittance of failure and therefore bad for new business.

The best that potential investors can hope for is a slowing in the rate at which new funds come on to the market. After all equity markets worldwide have gone nowhere this year. The World Index pro-




## *Foreign equities attract*

BY JEFFREY BROWN

OVERSEAS investment probably accounts for about 30 per cent of the £13bn or so that the unit trust industry has under management. In terms of fund numbers, the overseas content is significantly larger. Individual funds that invest exclusively outside the UK represent something like 40 per cent of the total number of funds on offer.

Investment overseas has always been an important weapon in the fund industry's promotional armoury, but its appeal has broadened substantially in recent years. The ending of exchange controls in 1979 was an obvious catalyst, leading to an upsurge in specialist unit trusts. Then there is the way investment horizons have widened dramatically under the impact of communications technology.

According to stockbrokers Wood MacKenzie, investment in foreign equities by the industry last year totalled £736m, more than three times the level of 1982. At that rate, unit trust overseas investment came close to that of the life assurance industry, although it was still dwarfed by the £1.2bn (down from £1.6bn in 1982) which the pension funds put into foreign stock markets last year.

But in terms of emphasis, unit trusts are by far the most active foreign investor among the UK institutions. Nearly 60 per cent of the industry's cash-flow went overseas last year, compared with 16 per cent for pension funds. This year, the proportion of cash-flow going outside the UK has been running at around 32 per cent, still way ahead of the institutional field.

But what are the techniques of managing this money? The basic approach can be split into two camps: centralised management from London and the use of men in the field. For the most part, the unit trust industry uses a combination of both. Champions of the former tend to be the older established groups with big UK funds dominating their stable. The latter is perhaps most actively pursued by the newer breed of highly specialised fund groups.

There is little evidence to suggest that either method is a clear winner in terms of underlying fund performance. In many respects the way management groups structure investment is dictated by marketing needs and style at least as much as the need to keep performance up to scratch.

It plainly helps if a fund has someone in the thick of the action. Most of the market-making in the main securities centres takes place in the country of origin and it is good for timing if a fund has its ear close to the ground. It can also open the door to foreign sales of units. In spite of the problems faced with registering funds in some countries, this aspect of localised involvement has an increasing appeal to the industry.

But the other side of the coin has a darker hue. The cost of foreign trips by UK-based marketing men and analysts does not come cheap, but nor does the cost of setting up offices in places like New York and Tokyo. Once on the ground, a local man can start to lose international perspective. There is an obvious danger of not seeing the wood for the trees.

However, the argument is a shifting one. At the moment, world stock markets can be said to be in the doldrums, showing little progress this year after the excitements of 1982 and 1983. New money is still coming into the fund industry at a steady rate, and until times start to get leaner the drift towards internationalised management will continue.

Centralised management from London has the obvious advantage of a neutral time zone with the UK neatly placed between the two big securities centres. As Tokyo closes, London goes into action, only to hand on to New York at the close of its own day. This factor, plus the steady shrinking of the investment world through rapid advances in communications technology remains a big plus for the proponents of centralised investment.

Since the bulk of the industry's marketing thrust remains in the UK, there are disadvantages in having too many fund managers based overseas. Whatever the marketing claims of the overseas office, a fund needs to maintain a good rapport with London stockbrokers, given their importance to unit trust marketing.

Many fund groups operate a layered system for their international funds. Overall strategic decisions are made by the manager with individual share selection left to the geographic specialist. The London manager would be more concerned with portfolio weightings — both shares and cash — than with stock selections.

There is no lack of investment advise. The big market makers vie with each other in every part of the globe. The better their selections, the more business they can expect. Competition is fierce, and in some senses all the fund manager has to do is sit back and play the bank, securities house and broker performance league tables.

Getting the currency right is almost as important as picking the correct shares. Currency hedging goes on, but most management groups are cool on the subject. Back-to-back loans are clumsy and time consuming to set up, and can be expensive.





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FINANCE AND THE FAMILY

# Heavy drinkers and a will

BY OUR LEGAL STAFF

**Mrs X has one child, a divorced daughter, who has been living with, possibly married to, a man for 14 years. He is a heavy drinker. The daughter has two children by her first marriage, both girls.**

**One of the girls is living with a man also a heavy drinker. Mrs X would like to have her estate equally shared by her two granddaughters, but her daughter declares that she will contest such a will.**

**What is the maximum proportion of the estate that can be left to the grandchildren, obviating a valid contest by the daughter.**

**Is it lawful to leave the daughter a resulting proportion in trust for the grandchildren and if not is there a way of ensuring that the grandchildren eventually share the whole estate.**

The law does not require that anything be left to a son or daughter who is of full age unless he or she was normally maintained by the testator during the period before the testator's death. However, there are ways of reducing the likelihood of any challenge being made to a will which excludes such a child; and it would be wise to consult a solicitor. A life interest given to the daughter on "protective trusts" may be preferable to an outright gift to the grandchildren.

## Malaysian tax anomaly

**I am a UK resident paying the higher rates of tax.**

**I hold shares in Consolidated Plantations Berhad where Malaysian Income Tax is 40 per cent and in Malakoff Berhad where Malaysian Income Tax is 40 per cent and a further 30 per cent UK Income Tax is deducted.**

**I have claimed DTR on both these but HMI says he can not allow it but will give the matter further consideration if I can ascertain whether the companies concerned have accounted for tax under Section 108 (5) of the Malaysian Tax Act 1967 and the amount thereof.**

**My requests to the companies concerned have only produced copies of the vouchers with the comment that they contain all the information required.**

**Do you consider I am entitled to DTR, please?**

Unfortunately, you are the victim of one of the various illogical denials or relief for overseas tax with which the DTR rules are littered, by historical accident. *It seems reasonable to expect* that a reforming Chancellor will turn his or her attention to rationalising DTR within the next year or two, in accordance with OECD principles.

This particular anomaly, in respect of Malaysian (and Singapore) dividends, has been mentioned in our columns from time to time, but you must have missed our warnings.

When, in 1966, the old UK imputation system of dividend taxation was superseded by a classical system, the prohibition of credit for oversea imputation—system tax was logical, of course. When the UK returned to an imputation system in 1973, however, the 1966 prohibition was retained and it is now an illogical anachronism. Unfortunately, expediency generally prevails over logic in tax matters.

## Ownership of a gravel pit

**Adjoining my property is a disused gravel pit. For more than twenty five years it has been used by a near neighbour for storing and sawing firewood. More recently he has cultivated part of the land as a vegetable garden. He also has a chicken house and run on another part of the land. The owner of the land now has outline planning permission to erect two houses.**

**My neighbour is now claiming squatters rights—saying he has used the land with no interference from the true owner. He has a flimsy fence around the area and a type of barricade around the entrance. Do you consider he has squatters rights?**

**He tells me has has a Solicitor who will act for him.**

**What is the procedure please to get the land registered in his name?**

It is not entirely clear whether your neighbour has exercised rights which are sufficiently "adverse" to the right of the true owner; but he clearly has a case of some substance. If the land is not in an area of compulsory registration the claimant can only record as much evidence as he can by way of statutory declarations to support his case. He can then either wait until true owner sues him for possession, or himself commence proceedings in court asking for a declaration that the true owner's title has been extinguished under the Limitation Act 1980.

## A testator and shares

**I am acting as executor in the administration of an estate where the Testator left various parcels of shares to several beneficiaries.** *One of the* **beneficiaries was left 500 shares in a plc company and when the will was executed these shares were quoted at 185p each. Some months later the Company had a capital reorganisation and a 3 for 1 share split was made making a total of 1,500 shares.** *The testator has now* **died and administration of the estate is underway. The shares are now trading at 85p. Should the beneficiary in this case be entitled to receive only 500 shares or should the 1,500 shares be transferred to her? It seems to me that she should receive the latter number bearing in mind that the value of the original bequest was reduced by two-thirds. Subsequently there have been two bonus issues by the company concerned and at the death of the testator the total holding was 1,938 shares. What** *number of shares (after taking account of the above bequest)* **in the Company should pass to the residuary legatees? The estate is being administered under the laws of Scotland.**

In Scotland, a Testamentary Deed (ie a Will) is construed to give effect to the intention of the Testator (the deceased). A Testator is always presumed to use words in their strict acceptation and it is the exception to permit extrinsic evidence to assist in the interpretation. In the case to which you refer, the beneficiary will receive 500 shares which would vest at the date of death when the deceased's portfolio should have been valued. The residual beneficiaries are therefore entitled to the balance of the shares being 1438.

*No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.*

MINING

# Swings and roundabouts

BY KENNETH MARSTON

DID YOU know that in the past three months to September 30 the average price received by the South African mines for their gold was the highest-ever? Furthermore, at R17,338 per kilogramme it compared with only R16,479 at the height of the 1980 gold boom when on one wild day the U.S. price hit a record $850 per ounce.

Well, at least you would not have been surprised as a reader of comments in this column and elsewhere on the exchange rate alchemy that has been going on. Put simply, the dollar has been rising and the South African rand falling.

*Gold is sold* for dollars and thus the South Africans mines and, for that matter, those in Australia have been gaining to such an extent on the exchange rate that this has offset the effects on their earnings of the decline in the U.S. dollar price of the metal.

You can see what has been happening on this week's chart.

As usual the first batch of September quarterly reports has come this week from the seven South African gold mines in the Consolidated Gold Fields group—the others are due next week—and their total working profits have risen by nearly 10 per cent overthe level of the previous three months.

But you can't win them all, as they say, and their tax charges have gone up even more, partly because of the budget increases and in some cases partly as a result of a reduction in capital expenditure which ranks as a tax-offset. So overall net profits have come out at R181.3m (£85.5m) which is 5 per cent down on the June quarter.

The rise in working costs during the latest quarter was held to 6 per cent, a creditable performance in view of the July wage increases granted to black workers.

Now that the latter have trades union representation to back them the mining industry must expect future claims which will aim, in part, further to reduce the wage differential between black and white workers.

This, in turn, could lead to a greater concentration of efforts to increase productivity in what has always been a labour intensive industry. While the white union remains opposed to job advancement for blacks, the mines may well seek to reduce the labour forces by the increased use of mechanisation where possible.

Meanwhile, it is considered that when U.S. interest rates ease—sooner, perhaps, than later—the dollar will follow suit and some buyers may return to gold.

The bullion price would thus rise in terms of dollars but, from the mines' angle, it remains to be seen how much this price increase would be offset by a less favourable exchange rate for the non-U.S. gold producers.

Mixed feelings, to put it mildly, on the strength of the U.S. dollar were being expressed to me in Antwerp earlier this week. The leading diamond cutting and polishing centre, like others, has been hard hit by the downturn in the market *for diamonds*.

Things are picking up now, of course, but the more profitable larger and better quality gems *are still out in the cold*. The U.S. market is quite good, although diamonds have to compete with other luxury and semi-luxury goods for the disposable funds that are now more readily available there.

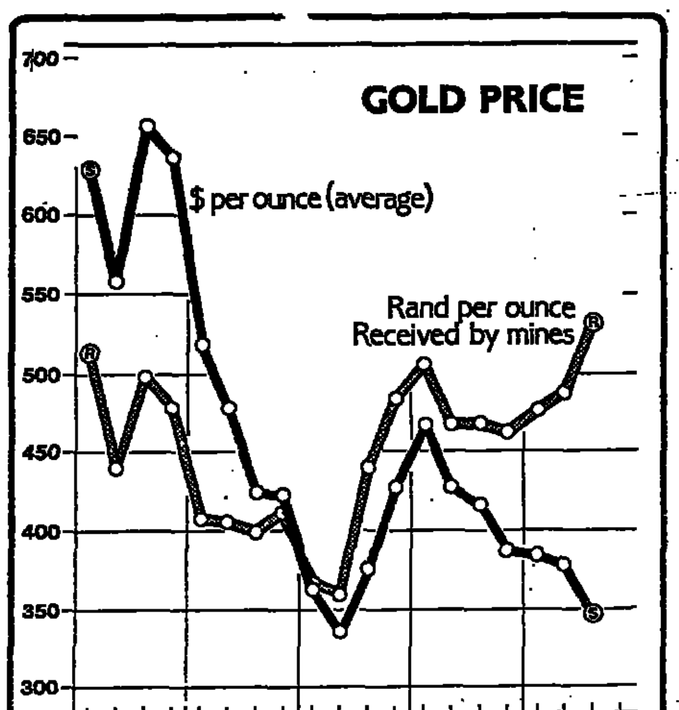
The Antwerp merchants will tell you that their beautifully cut and polished diamonds also have to compete with equally beautifully cut and polished Russian stones which are being sold at considerable price discounts. And hopes of increasing diamond sales in Europe are dimmed by relatively high domestic prices because diamonds are also priced in dollars.

I was also told that there is portion of output from —— — a problem with the modest proportion of output from Australia's Argyle operation that comes in the form of small gem stones. *It is that the* Australian diamonds are even harder than others and more difficult to cut. It is said that because of this they are having to be offered to the cutters at price discounts of around 35 per cent.

*Still, if they are that hard,* it might be an advantage in the case of industrial diamonds which form the bulk of Argyle production. Output is running at an annual rate of 6m or so carats, but when the big AK1 mine is brought into operation early in 1986, capacity will expend to 25m carats.

My friends in Antwerp are diamond market will be able to absorb anything like such an increase at that in supplies in just over a year's time.

Much must thus depend on growth in world industrial activity. So here we come back to the dollar and exchange rates again because an easing in the levels of both of them would help industry generally.






RESIDENTIAL PROPERTY ADVERTISING ALSO APPEARS TODAY ON PAGE 16

# PROPERTY

## A stake in the Lakes

BY JUNE FIELD

The original millstones by the timeshare lodges in Langdale

SOME OF the pitted, grey, curvy rocks encrusted with moss looks like seals basking contentedly in the rushing water of the ghyll. Ravens wheel above the slate-spattered hill opposite my balcony in the Lake District.

This is the Langdale Timeshare complex which I first saw building in 1982, and the 46 lodges so far completed on the 23-acre site of an old gunpowder works are well tucked away, following Wordsworth's advice that a house should be so constructed "as to admit of its being gently incorporated into the scenery of Nature."

Sharing the lakes has become big business. Langdale will be an investment of £10m, and the partnership of seven local businessmen include Earl Peel, chartered surveyor Peter Roberts, and Brigadier "Teddy" Tryon-Wilson, former vice-Lord Lieutenant of Cumbria.

The new Lakeland Village, where two public companies, the Kenning Motor Group and the Douglas Group are building cottages for timeshare on a 125-acre site near Newby Bridge, are in for £10m too. Both developments incorporate a hotel.

The Lakelands is a much smaller project by local builder Kenneth Rockcliffe. He says it has cost £½m to construct eight apartments on the rock side of Wansfell, Ambleside, overlooking Windermere, and that another £½m will be spent on leisure facilities.

All three timeshare projects are well done, and worth a visit. Brochures from Ian Swanson 09667 391 (for Langdale); Brian Mitten 0246 77241 (for Lakeland Village), and for The Lakelands, Ann Frahm 0966 33777

It is the year of the lakes, too, with *The Discovery of The Lake District* exhibition at the *Victoria and Albert Museum* telling the story of life there since the 18th century, and the National Trust's *Adopt a bit of the Lake District* campaign.

Good country properties for sale attract considerable interest. Blakeholme, a five bedroom house with guest accommodation, in 24 acres on the eastern side of Lake Windermere, being sold on behalf of the executors of Sir John and Lady Fisher, fetched well in excess of the guide price of £200,000. Fisher Hoggarth, and Cluttons' Harrogate office had to take on extra staff to cope with viewers.

Clutton's partner, Ian Cartwright feels that the sale is indicative of rising optimism among buyers in a part of the country where the property market has suffered badly from the depression.

"Properties with leisure potential appeal, especially on the fringe of the lakes," says Graham Adnitt, Jackson-Stops and Staff's Chester office. Earlier this year they were offering Brackenber Hall, in 12 acres, three miles east of Appleby-in-Westmorland on the lower slopes of the fells. The five bedroom hall and various barns plus Rose and Owl Cottages suitable for holiday letting, was in the region of £150,000.

Last year Wordsworth Cottage, Porterdale, sold at auction for £72,000 through Smiths Gore, Carlisle. (The poet bought it for £1,000 in 1805, but never lived in it.)

Traditional stone and slate cottages can still be found in the £25,000 to £50,000 range through Kendal and Country Properties, Thompson Matthews in Windermere, and Reeds Rains' new office at Milnthorpe. Bungalows in Arnside are from £29,950, and solid Victorian houses about £59,000 through Peill and Company, who have offices in Kendal and Arnside.

Alan Firth, with offices in Kendal, Milnthorpe and Grange-over-Sands, says their stock is getting low because of numerous sales in the summer.

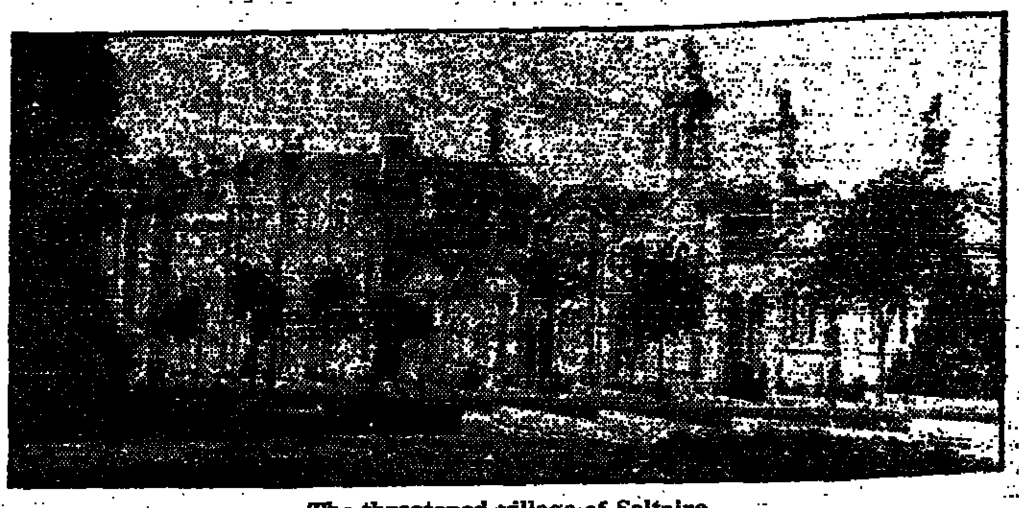
Recent offerings include a bungalow on the Furness Peninsular about three miles from Barrow, £45,000, and a 17th century farmhouse in Milnthorpe at a similar figure. At Newby Bridge, well away from the crowds, a two bedroom bungalow was £39,500 through Wilson and Company, Arnside.

Netherby Hall, Loughton, about a mile from the Scottish border, has been the ancestral home for many generations of the family of Sir Charles Graham, Lord Lieutenant of Cumbria.

The impressive mansion, famed for its association with Sir Walter Scott's *Young Lochinvar*, needs money spent on the roof and redecoration, says Nigel Talbot-Ponsonby, Humberts' Landplan, who is seeking a premium in excess of £50,000 for a 125 year lease.

The rent will be peppercorn for the first 10 years. After that it is negotiable.

Colin Cuthbert, Carlisle's director of planning, has indicated approval for change of use to flats, a nursing home or country club. "Something that in present economic conditions where the level of employment generated could be a plus factor."



The threatened village of Saltaire

## More than a pinch of Salt

WHEN TITUS SALT decided to build a new worsted factory and a village for his employees, he chose a site, well away from the hideous mid-19th century conditions of Bradford, within a picturesque valley about three miles north west of the city.

The result of his ideas, a combination of practical reform and industrial expediency, was the model village of Saltaire. It is an historic landmark, a planned settlement of greater scale and complexity than anything attempted before. Yet it is precisely the physical form of this valley, in which canal, river, railway and road fight for space, that threatens to be Saltaire's deathknell.

The menace is presented by the Aire Valley trunk route, and not for the first time. In 1980 a public inquiry was held and following the Inspector's report, the matter seemed closed. Now, with little variation, the threat is back again and there will be another public inquiry.

This worrying state of affairs has even provoked an outspoken complaint from the Inspector at the earlier inquiry. For Saltaire residents and those outsiders who value the village, the apparent disregard by the Transport Ministry of the previous inquiry outcome is depressing, while the prospect of arguing the same case again is exhausting and wasteful.

Saltaire was the marvel of its time, attracting bevies of foreign dignitaries; its example inspired other like-minded industrialists across Europe. In Britain it led to Port Sunlight, Bournville and New Earswick — in their turn models when the role of the philanthropic industrialist was taken on by the state.

The village was, appropriately, begun in 1851, the year of the Great Exhibition, as a planning set-piece. The housing, the work of the Bradford firm of Lockwood and Mawson, was designed in various forms to suit the income and family size of the workers.

Even the smallest terraced cottages were a vast improvement on the usual, where overcrowding was endemic, cellar dwellings were common, and the waterways were open sewers. Mrs Gaskell's *North and South* sets the scene.

The housing was laid out on a grid; the choice of street names was dutiful, beginning with Victoria and Albert and then working through the members of the Salt family. Titus Street ran commandingly through the lot.

Salt built almshouses, around their own green, public baths and washhouses, schools and an alcohol-free institute for the social life of the village. This included a library, gymnasium, billiard and smoking rooms.

But the two dominant buildings in the village were the Congregational Church and the mill, with its great campanile. From here Titus Salt's textile empire operated, the mill itself covering six and a half acres.

Roberts Park, across the canal and river, gave a further amenity in an area where open country was being constantly encroached. In fact, Saltaire's modern charm is greatly enhanced by the open country which still provides a backdrop.

Salt's village aimed at providing a community which centred on more than just work, work, work. Here employees were offered opportunities for education, leisure, as well as the inevitable moral inducements. *Self-respect* amidst a healthy environment was the aim.

The village remains largely intact. It retains its pattern, its tight-knit community, and is a remarkable witness to aspirations of humanity (albeit carried out in the spirit of 19th century philanthropy) given concrete form. In more recent years, as the village has achieved recognition as one of the forebears of town planning, it became a Conservation Area and care has been taken to keep its character.

The road proposals come in three equally unpalatable versions. One route is carried on a flyover past the Congregational Church, over the canal, and into the park demolishing the boathouse as it goes; in this case the threat is the divorce of the village from its open space.

The second route would follow the railway line (which would be rerouted) involving the demolition of a number of houses: these, apparently, would be rebuilt on a concrete deck. The third route would involve traffic management, with the existing roads made one way, turning the village into islands on a road scheme.

All three proposals would destroy the village and its coherent nature. Opponents to the scheme argue that a road into Bradford via Heaton could provide the necessary link on the oddly designated Doncaster to Kendal route.

Saltaire is of enormous architectural and historic significance; cutting it up in this way would amount to a national act of vandalism — quite apart from the questions begged by the apparent disregard for the previous consultative process.

The itervention of the Inspector himself points to the fact that all is not well. Small wonder that public reaction, at many levels, is one of exasperation and some suspicion.

**Gillian Darley**



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# A guide to the bush

BY ARTHUR SANDLES

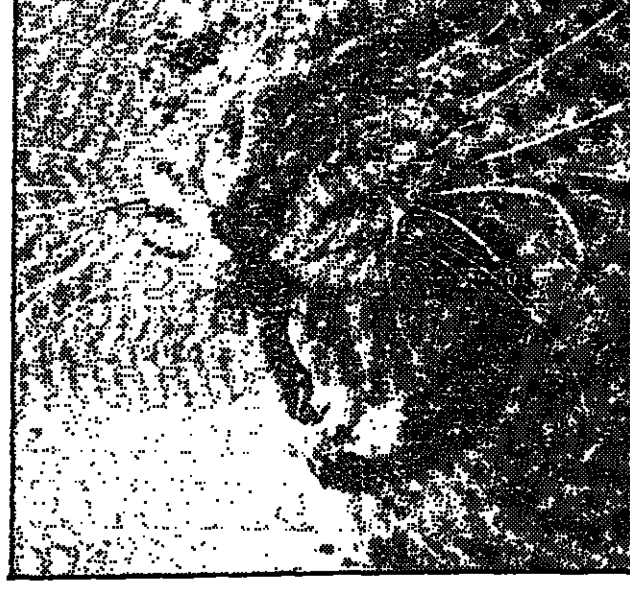
SAFARIS are stuff that dreams are made on — or is it nightmares? Just think of those balmy nights, the distant sounds of the bush, the low glow of lanterns in tents whose canvas moves occasionally in a subtropical breeze.

The other side of the coin involves abundant insect life, adjusting to spending nights under mosquito nets, occasional elementary sanitation and extremely bumpy rides, sometimes without that rewarding glimpse of the animal kingdom.

A basic safari, say to Kenya, has a starting price of between £500 and £700 for one or two weeks. For that you will be getting medium grade hotel accommodation, some overnights in game lodges and minibus trips out into the bush.

For what must be one of the most tempting safari trips of all, for example, Heritage Travel's remarkable February journey through Rwanda, Tanzania and Kenya which takes three weeks and costs over £2,200, the company insists on a medical certificate—four-hour walks through thick undergrowth at 9,000 ft are involved. Tradewinds offers, for much the same price, trips that include hot-air balloon trips to see the wild life.

Further information: Several tour companies offer packages in Southern and East Africa. If you are interested in a low cost basic safari perhaps with a touch of beach holiday added on, it is worth looking at the big operators like Thomson, Wings and Jetsave. Your travel agent should have brochures for these companies as well as Tradewinds. They may not



# When a hyena stole the margarine

KENYA OR Serengeti are the obvious choices when considering a photographic safari. But Botswana in Southern Africa, has as much or more to offer the adventurous wildlife enthusiast and holidaymaker. In addition to the unique Okavango Delta and its adjacent Moremi Reserve, the huge Chobe national park is becoming increasingly popular for "old style" safaris.

During our latest safari in July we chased off a hyena that had stolen our margarine supplies. We made friends with a red billed francolin and drove into the rotting carcass of an elephant. We were visited by a shrew and an elephant in the same night and stalked a shy family of waterbuck—all in between such "mundane" activities as watching a herd of a thousand African buffalo and seeing a large group of rare roan antelope.

The Chobe national park is a game reserve of extremes. Its 1,160 square kilometres is mostly mopane bush wilderness, arid and monotonous. But in the north the park is bordered by the Chobe river which supports floodplains and forests positively luxuriant by comparison.

You can "do" Chobe in a number of ways. If you are eager to be pampered and find comfort essential book into the luxurious Chobe Game Lodge, recently reopened aften seven years "on hold" while Rhodesia became Zimbabwe.

The lodge—tariff from Pula 100 (£——) for a bed only — is in the easily accessible northern region of the park, on the river. Drive in on tarred roads through Botswana, Zambia or Zimbabwe or charter a light plane to nearby Kasane.

The Chobe Safari Lodge is a slightly less expensive alternative. And for those with only a saloon car, camping Serondela inside the park is the answer.

Your game drives then will be confined to the stretch of tar between Kasane and Ngoma in the north west of the reserve and the loop roads along the river where most of the park's game is concentrated.

At Serondela we had a nocturnal close encounter with an elephant who had chosen to eat the creeper attached to the tree in front of our tent. He woke us up and we hurriedly moved into the safety of the Land Rover

Even when Serondela fills up with people, scores of tents spread along the riverbank and the civilised aspect of hot showers and flushing lavatories may seduce you into thinking wildlife will keep its distance, but you realise you are still surrounded by untamed Africa.

The children were in awe when they realised one morning that they were walking in the tracks of a rather large cat as they made their way to the tap

I think the best way of experiencing the wild side of Chobe is to travel through its vastness, from south to north, in a four-wheel-drive vehicle, camping en route. Such a "genuine" safari can even be tempered with touches of luxury if you travel with one of the more upmarket safari companies which run permanent tented camps at Savuti in the southern section of the park.

Deciding to rough it gives more choice. You can join the professionally guided safaris—a list of the many companies offering safaris in Botswana is available from Botswana's Department of Tourism, Post Office Box 131, Gaberone—you can ferret out a one-man safari operation, or do it yourself with your own, or hired, vehicle and equipment.

The camp at the Savuti Channel is the usual first stopping point for those who have struggled through the sand ridges from Maun or Moremi to enter Chobe at the Mbaba gate in the south.

The channel once carried water to the Savuti Marsh which still hosts vast numbers of animals (we've seen hundreds of tsesebe and giraffe as well as lion on the plains bordering the marsh) but it has been dry as a bone ever since 1972.

To the east of Savuti—about half a day's drive—is the Nogatsauxtjinga camp which is only occasionally open to the public. It is a good area for game as it is close to a system of pans and the site of the damming of the Ngwezumba river.

The river is a river in name only but the dam wall serves as a wonderful vantage point from which to watch herds of elephants drinking from the water holes they have gouged in the dam bed.

Game spotting is the main activity on any safari and the "sport" is enhanced if you are equipped with a good field reference library. Of course, no safari is complete without a camera but unless you are a real pro, you may be disappointed with the results. It is extremely difficult to capture the bush or wildlife in all its glory. On our trip we met many people with video-cameras—possibly the best means for an amateur to record the holiday.

**Paddi Clay**

# Among the hippos

WOULD YOU object to sharing a shower with a frog? Does the thought of being charged by an elephant totally unnerve you? Is the idea of a fragile grass hut to protect you at night from roaming lions or hippopotamuses overly daunting?

No? Then the African bush is unlikely to hold any real horrors for you. For such occurrences are all part of life's rich pattern on a walking safari in Zambia's South Luangwa Valley National Park, a 9,050 sq km tract of bush that has been mercifully spared the worst of the three-year drought which has assailed much of Africa.

With a beleaguered economy, Zambia has much to gain from encouraging overseas visitors—and their currency—to its various wildlife areas. The country offers some of the most untouched bush to be seen on the continent and an undoubtedly friendly and relaxed atmosphere.

The South Luangwa Valley lies on an alluvian plain (actually an extension of the Great African Rift), with a rich soil supporting, even in the dry season, a variety of vegetation and trees (Sausage, Mopane, Tamarind and Baobab) and relatively well-filled rivers. Lagoons abound, providing idyllic tree-surrounded gathering points for hippos, elephants (about 50,000), impala, bush buck and other antelope, buffalo, wildebeest and many others. A plethora of birdlife abounds in hues ranging from the brightest greens through orange and red to the incandescent black of the long-tailed glossy starlings.

Zambia claims to have some of the most unspoilt wildlife areas in Africa—a factor which tour operators hope will attract enthusiasts away from the more organised game parks of Kenya. It certainly has, in my own experience, a more "wild" and remote feel than the beautiful Hwange wildlife park in Zimbabwe and, according to my colleagues, than the Kenya and South African parks.

My journey last week with hosts Zambia Airways and Ecosafaris began, on arrival in Lusaka, with another short flight to Mfuwe Airport close to Luangwa and a 1½ hour rip-roaring drive on graded (dirt) roads to Chibembe Safari Camp, with a short stop at Ecosafaris' other and smaller base camp in the region at Nsefu.

Chibembe offers wooden chalets (basic but comfortable, with twin beds, showers and toilets), plus open air dining room and bar with thatched roofs. A swimming pool completes the facilities. From this base both driving and walking safaris operate.

Zambia's walking safaris are claimed to be unique in Africa, but Kenya and South Africa certainly do have such options. If getting close to nature is what you want, then walking through is the answer. Walking in single file, with armed guard in the lead followed by the trail leader and with the all-important African tea boy bring up the rear.

The pace is easy but steady, with plenty of time to observe and photograph wildlife. The stretch between Chibembe and our trail camp at Kasansanya, for example, was probably no more than five miles, but the object is not to cover distance but to spot game and birds. After two hours of our four-hour trek we stopped for tea, brewed over a wood fire (and you swear at the time) the best you've ever tasted.

Kasansanya, like other trail camps, consists of a handful of grass huts for sleeping, a small dining area, a notorious "long drop" lavatory and wonderful Heath Robinson shower (grass-sided, open to the skies and with bamboo flooring and frogs). There are also quarter for a small resident staff who provide an excellent menu. Kasansanya is one of three trail camps operated by Ecosafaris this year (there will be four in 1985).

Walking safaris form one of a variety of options for special interest tours in Zambia operated by Ecosafaris and others. The company's programme for 1985—after the rainy season—starts, in price terms, with £1,385 for a 15-day Luangwa Valley walking and driving safari, with two days at Victoria Falls. Ecosafari has a London base at 55-63 Goswell Road, London EC1V 7PT, telephone 01-373 0473. Other information can be obtained from the Zambia Tourist Board in Lusaka or in London.

**Nicholas Leslie**

# What to look for in Birmingham

MOTORING

STUART MARSHALL

AS THE PARIS SHOW closes its doors this weekend, the International Motor Show at the National Exhibition Centre—called the Birmingham Motor Show for short, though it offends the organisers—prepares to open to the trade and then the public.

It will be a good show. A huge collection of cars, components, trucks and coaches, from family saloons to fantasy cars that are priced high enough to raise a sheikh's eyebrows.

There will not be any real surprises—there was none at Paris—but that is the way of the motor business. Too many component suppliers are involved in the evolution of a new model for security to be maintained until curtain up. The BL stand will, however, be worth a look, for it will contain two variations on familiar themes. And Ford has held back two interesting mechanical developments to popular models.

The 4-speed automatic Peugeot 305 and Citroen BX were at Paris, as was the 3-door Peugeot 205 that locks horns with the new Renault 5 that won't be in Britain until early next year. The Vauxhall Astras were there, too, wearing Opel Kadett badges. Toyota, however, is saving its mid-engined MR2 sports two-seater for Birmingham. France, after all, restricts sales of Japanese cars to only three per cent of the market.

Although import penetration has been rising in France, the figure has been held to about one-third of total sales as against nearer two-thirds in this country. In the first seven months of this year, nine out of the top ten sellers in France were from French makers, led by the Renault 11 (91,200 registrations), Peugeot 205 (89,000) and the old Renault 5 (83,300). Citroen's BX sold 63,500 units, the Peugeot 305 scored 52,900 registrations and the Renault 9, 50,700. The ageing Renault 18 scored 38,200, the new Renault 25, though on sale only since last Spring, 35,100, and Citroen's Visa 33,800, beating the Spanish-sourced Ford Fiesta (30,300) into tenth place.

In general, there was an air of optimism at the Paris Show, despite higher taxation and other motoring charges. Petrol is now about £2 a gallon and the motorway tolls have been increased. It now costs FFr 59.5 to use the A26-A1 from Nordausques, near Calais, to Senlis, just north of Paris—that is £5.20 for the equivalent of Watford to Manchester.

If there was a small black cloud hanging over the show it was the possibility of a speed limit being introduced for the German autobahn system, now being taken very seriously by all makers of fast cars. The German government is under great pressure to reduce speeds on the autobahn in order to reduce pollution—no, I don't understand the reasoning, either.

At the moment, Germany is the one oasis in a speed restricted world. And the existence of autobahns where you can drive as fast as you like is the real justification for the production of cars capable of 140 mph (the Audi 200 Turbo and new Renault V6 Turbo), 160 mph (several Porsches) and even 180 mph (Ferrari's visually exciting Testarossa). If the autobahn is limited to 81 mph (130 km/h), what on earth do you do with a car that only makes real economic sense when given its head and cruised at three-figure speeds? It's a problem that has been swept under the carpet for years. Manufacturers have been able to say, quite fairly, that they have built fast cars for potential use on the autobahn. If this rationale is denied them, what then?

When it comes to a tussle between a major conservation-cum-environmental lobby and the motor industry, the car makers and users normally lose the fight. Our own government failed recently to grasp the nettle and legalise the de facto 80 mph limit on the motorway. The German government could be just as willing to go for expediency rather than logic. It will be a bad day for Europe's car makers if it does.



هكذا من الأصل

# BOOKS

## Cutting their teeth

BY PETER JAY

**The Oxford Union: Playground of Power**
by David Walter. Macdonald, £9.95, 240 pages

Almost as much nonsense has been uttered about the Oxford Union from without as has been spoken within its sombre chamber. And that is a very great deal.

The pretensions and the impertinence of the young combine with the nostalgia and sentimentality of the old to depict the Union as some kind of play-school on the slopes of Olympus where the children of the Gods first desport their embryonic divinity. Thus the great F. E. Smith, in his dotage as Lord Birkenhead, could write without a blush:

"I often go the Union and spend some minutes in the Victorian Debating-Hall. The room is empty and the place is silent, but yet these walls have listened to all the great masters of rhetoric. . . The walls might seem to exude the very savour of oratory. . . There the portraits hang, row on row, a pictorial constellation of the past and the present . . . here are Salisbury, Gladstone, and Asquith standing on their enduring pedestals—Manning and Mandell Creighton, E. T. Cook, York Powell, the Cecils and the Asquiths, the Mowbrays and the Talbots, and on the living roll of fame, Milner and Curzon, Anthony Hope and A. E. W. Mason. Here within a single chamber lies the sifted ability of Oxford. The pictures . . . possess all the charm and demand all the reverence which we might give to some Gothic cathedral raised by the piety of our ancestors to commemorate a belief in the joy and the high destiny of our successors" (quoted in Herbert A. Morrah's classic history, *The Oxford Union 1823-1923*).

David Walter's purpose in his new volume is not, thank goodness, to perpetuate this kind of high-flown adulation, which also suffuses Morrah's history. But instead "to chronicle the dawns, brilliant or otherwise, of the careers of some of those who have gone on from the Union to make their mark in the world." But the consequence, as the book's sub-title forwarns us, is much the same, namely another exercise in dropping the names of the great and the notorious and chronicling their youthful imbecilities.

His flatter, more contemporary style befits the ITN reporter that Mr Walter has ably become. But his painstaking assemblage of anecdotes, many quite amusing, of Robin Day's guerrilla tactics against Norman St John Stevas, of Michael Beloff's and Jonathan Aitken's savage mutual abuse and of William Rees-Mogg's stated ambition to become Chancellor of the Duchy of Lancaster, adds up in the end to a turgid catalogue of gossip column items stretching out to the horizon, a sort of wall-to-wall Nigel Dempster. So it is better to use the book for reference than for reading.

Gossip may sell books, but it tells us little about the Union. All that is really worth saying about that is that it is, always has been and always should be neither more nor less than an undergraduate debating society. If many subsequently famous names happened to have performed there, that is not because of any extraordinary qualities of the place as some kind of nursery-slope for future statesmen, but simply because of the role which Oxford for better or worse has long played in the education of the ruling classes.

Financial Times readers may find more interesting Mr Walter's tabulation of the subsequent careers of Oxford Union Presidents since 1900. Apart from the exceedingly odd actuarial revelation that apparently no-one who has held the chair in the last 30 years has died (thereby no doubt contributing further to the legend of the Union as the playpen of the immortals), we find that of the Presidents in the most recent 22 terms for which information is available 12 have pursued careers in business, whereas in the previous 43 years there were only 13 and before 1932 there were none!

Perhaps the times they are a-changing, though whether this is because banking, broking and management have discovered a previously unsuspected need for orators or because the traditional ruling-classes have been extruded from politics and government by the new breed of self-made men and women, leaving them to seek consolation in making money, I pass to the supply-siders and demand-siders to hammer out.

Whatever votes may sometimes be passed in the Union, it has not served the Labour Party at all well as a recruiting ground for the Commons. It has produced only two Labour MPs in the last 30 years of Union history and none in the last 23, a reflection in part of the gradual withdrawal in the 1960s of Labour-minded undergraduates from the Union and of the proclivity of those who did take part in the Union to become journalists rather than politicians (seven consecutive Presidents in my own time, of whom four were Labour at the time—Phillip Whitehead and Paul Foot soon became so— and one, Phillip Whitehead, became an MP for a while).

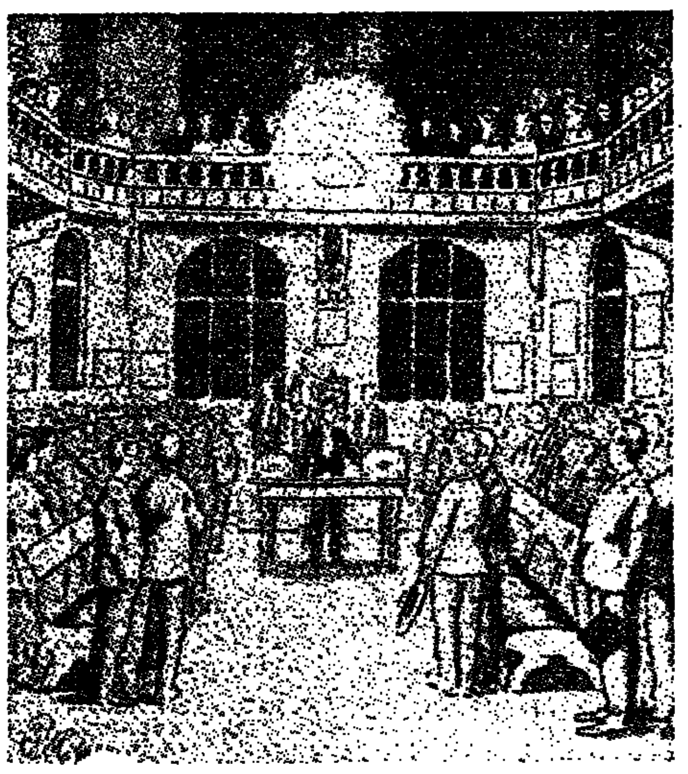
Only two former Presidents sit on the Labour benches today —Tony Benn and Michael Foot; and of the mere six produced in the 51 years since Michael Foot vacated the chair Christopher Mayhew became a Liberal, Bryan Magee joined the SDP, Brian Walden quit for television and Phillip Whitehead lost his seat in 1983. Tony Crosland is dead.

Perhaps even more surprisingly, it has done only about twice as well for the Tories: 15 MPs produced in the last 50 years. But 11 of these sit in the Commons today; and, whereas in the key 14 years of the inter-war period before Edward Heath and Hugh Fraser in 1939 it produced only three Tory MPs (Hogg, Boyd-Carpenter and Harvey), in the roughly comparable years 1954-68 (Heseltine to Waldegrave) it produced seven.

Even so the number is small as a proportion of more than 40 Presidents and not far out of line with the total all-party tally of 21 (including one Liberal—J. Thorpe) in 50 years. It shows the irrelevance of all the preoccupation with later political careers to what actually goes on week by week in the Union, namely undergraduate debating.

The standard is usually not very high; but that is not the point. If it gives amusement and releases energy, it has served its modest purpose and needs no spotlight from outside to invest it with a spurious significance that it neither warrants nor should want.

*Peter Jay was President of the Oxford Union in 1960.*



The Oxford Union in session—detail from a drawing by G. Gathorne-Hardy, 1898

## Top people to bingo

BY JOE ROGALY

**The History of the Times: Volume V 'Struggles in War and Peace 1939-1966'**
by Iverach McDonald. Times Books, £20, 530 pages

Read this tragic tale. It chronicles the dizzying depths of the fall of The Times, and in so doing teaches us much about the fate that awaits august institutions that fail to adapt to a changing world. In 1939, the starting year of this fifth volume of the official history, it *mattered* that The Times supported appeasement, since it could, in Churchill's words, "turn the flank" of foreign policy. By the time of the volume's concluding year—1966, when Roy Thomson took over—The Times had already become a struggling sheet whose future lay in bingo promotions.

For those of us in the profession such an instructive account of the recent history of what in its heyday was surely the most respected of newspapers is naturally absorbing, particularly in view of the revelation of the names of the various writers who were hidden by The Times long-held insistence on anonymity. Yet there is interest here for others besides: for historians, in the relationship between the great wartime editors, Dawson and Barrington-Ward, and the Prime Ministers and Foreign Secretaries who held them in such apparent awe; for general readers in the account between-the-lines of how a simple absence of humility could prove fatal: and for businessmen, in the clear evidence that failure to adapt to changing markets inevitably results in the grimmest of business penalties.

The importance of the old Times is hard to comprehend today. Pre-war it was the voice of authority at the centre of the Empire. The editor would naturally dine with the Prime Minister alone or in the company of one other (Brendan Bracken is cited here). His leader writers consulted Ministers, perhaps at social engagements, before writing their leaders. Perhaps understandably, foreign governments assumed that The Times was the voice of the British Government. Thus when the infamous leader of September 7 1938 appeared to suggest that the Czechoslovakians might as well cede the Sudetenland to Germany, the British Ambassador in Prague, then in talks on that very topic, told The Times correspondent who was present that he thought his mission was now hopeless. "This is a black day for us," he said.

After Barrington-Ward took the editor's chair he turned the paper leftwards: throughout the war he advocated a plan for reconstruction that was in tune with what became the Welfare State. Churchill, who was plainly much irritated by what he regarded as a diversion from the main war effort, had to take notice. Barrington-Ward pressed for the appointment of a super-minister of reconstruction, and suggested on August 6 1943 that Lord Woolton could fill the post. On November 11, his diary recalls:

"Brendan rang me up chaffingly about Woolton's appointment — 'The Times governing the country as usual' etc. I am delighted that it has come off."

Even The Times could not stray too far. Barrington-Ward's disinclination to see the full strength of the Communist element in the Greek National Liberation Front—and thus his attack on Churchill's decision to send troops to support the right-wing Government in Athens— lost him, and The Times, some credibility with the Tories; his general policy, derived from his most distinguished leader-writer, of advocating a "realistic" acceptance of the inevitable rise of Soviet power in Eastern Europe, probably had a similar effect.

It must have seemed in 1945 and 1946 that The Times would dominate in the post-war world as it had the world of before the war. But the world was changing. The new Labour Government was in the full flush of its reforms. Other "quality" newspapers grew in circulation and possibly influence. Advertisers became more sophisticated, demanding to know the value in pounds-per-thousand-readers of their advertisements. The job markets opened up, and young recruits to The Times, previously willing to work for the lowest wages in Fleet Street, began to leave.

In 1957 Cooper Brothers were brought in as consultants; their report, with many urgent warnings and recommendations, appeared in February 1958. But the Astor family were prevented by a stubborn management and a hands-off tradition from carrying out much of what was recommended. It was not until 1964 that, at the prompting of the then editor, Sir William Haley, an internal review committee was set up—and this led to many changes, including the placing of news on the front page in May 1966. But by then it was too late.

## Whose life is it?

BY ISABEL QUIGLY

**According to Mark**
by Penelope Lively. Heinemann, £8.95. 218 pages

**A Bowl of Cherries**
by Shena Mackay. Harvester Press, £8.95. 217 pages

**Corrigan**
by Caroline Blackwood. Heinemann, £8.95. 279 pages

**Virgin Territory**
by Sara Maitland. Michael Joseph, £8.95. 210 pages

The hero in Penelope Lively's *According to Mark* (now on the Booker Prize short list) is a biographer working on a long project, the life of a "man of letters," Gilbert Strong, dead some years but still remembered by family and friends and some ancient surviving mistresses, each with a tale to tell and new light to throw on him. There's plenty of material to work on, and Mark is steeped in it, card-indexes and cross-references ruling his well-ordered, agreeable life with Diana, his brisk, supportive wife who works in an art gallery.

Then, researching the final large jumble of papers in the attic of Strong's old home, he walks into another world, that of Strong's grand-daughter Carrie, who runs a garden centre and lives only for plants. Emotionally retarded and intellectually stunted, pale-skinned and ginger-haired, no cook and certainly no dresser, Carrie is none the less appealing, a phenomenon in a literary family. She hasn't even heard of Henry James; and Mark finds himself (against all the odds and his better judgment and other such cliché feelings) obsessed with her.

That's one theme. The other main one is the biographer's task, his relationship with his subject, the nature of evidence, the tricks of memory, the self-deception of survivors each insisting on the importance, the uniqueness, of a particular relationship. Then, as Mark gradually comes to believe, there's the subject's own manipulation of his future biographer. What did Strong leave behind deliberately and what did he destroy? Did he (for instance) really buy the material for his best-known travel book from a friend, as the woman who claims to have been with him at the time of the journey insists?

Was there (as it turns out) a "great love," a satisfying and beautiful relationship in the long life of unsatisfactory marriages and affairs? Detection, intuition, flair, all are needed, but also patience, plod and all the finicky qualities that go with card-indexing the years and the people, the days and weeks, the trifles of everyday life. It will be months, years, before Mark actually sets pen to paper on his subject.

Here is the "mainstream" novel at a high level, vivid, acute, often funny and always readable; physically so recognisable you walk into it, feel the textures, hear the voices, share the cultural shock when Mark and Carrie can't communicate, taste her fishfinger meals or Diana's sophisticated cooking; it's intelligent light reading at its best.

Shena Mackay's writing is more ambitious, or perhaps just less "mainstream"; more in the Bainbridge/Spark tradition, macabre and fearless. She writes extremely well, and it's a joy just to read her whatever happens — the unpretentiously well-wrought prose, the unobtrusive imagery that totally lacks literariness. *A Bowl of Cherries* is less way-out than her earlier novel *The Advent Calendar* or the stories collected in *Babies in Rhinestones*, its people are more ordinary, its circumstances less weird. But it's as full of life, vigour, and a sort of cheerful poetry that sweeps you along.

Fraternal rivalry being as old as the world, and stronger than ever in twins, it isn't surprising to find the regally handsome Rex and the hopeless, gym-shoed Stanley permanently at odds. Rex is a well-known writer, married (first to an aging beauty, his wife once engaged to Stanley, success as a writer, a son and a daughter (one legitimate, one not) grand-children, still golden good looks.

Stanley lives in a bedsitter, wears trousers from the chain-store and jackets from Help the Aged, and works as a restaurant cook. Once, it was Stanley who seemed the likelier to succeed, and Rex's first book, which he's never equalled, is curiously unlike the rest of his work.

Any number of bizarre and likeable or hateable others crowd round them, a hot-gospeller, a tiny beautiful nuisance of a small boy, a horrible husband, the gigantic owner of a joke-shop, a phony woman poet called Maud.

Shena Mackay can conjure up people and scenes with enviable inventiveness and rich (but never pretentious) absurdity. The only fault I can find in *A Bowl of Cherries* is a certain obviousness and sentimentality in the plot; but plot seems the least of its concerns; what counts is the detail, the flow of sadness and absurdity.

Ever since my mother paid a delightful man at the door for a subscription copy of a book on the Danish Resistance (never heard of since), I've been wary of doorstep collectors, and the hero of *Corrigan* is less plausible than most. Up to widowed Mrs Blunt's beautiful Wiltshire house he sweeps in his wheelchair, collecting for St Crispin's in Paddington, the home that's been so good to him; and in no time she's violated the house to accommodate his chair, sent large cheques off to St Crispin's and bought 15 acres on which to grow vegetables for its inmates.

If this sounds unlikely (which it does) — well, the point is she *wants* to believe him, and dies happy, if a little drunk, probably in his arms. For he's the perfect successor to a perfect husband; physically undemanding, intellectually stimulating, all Irish chat and uproar, a breath of the open road. And, con-man though he is, he weeps copiously at her funeral, having done her last days (everyone knows he's a con man) as a heroic ...

The reader's disbelief isn't suspended as easily as Mrs Blunt's, though, and the slack, stilted writing, particularly at the beginning, doesn't help. Basic faults of style — the too-frequent repetition of proper names, etc. — jar and judder like Corrigan's wheel-chair up the ramp Mrs Blunt has built across her fine steps.

Sara Maitland, who won the Somerset Maugham Prize five or six years ago with her first novel, *Daughter of Jerusalem*, turns up a disappointment this time, too. *Virgin Territory* starts with the rape of an American nun (RC) in a South American mission, and its effect on another nun, Sister Anna, who has a breakdown of sorts, can't eat, can't stop weeping, and is finally sent to recuperate in London doing research on the role of the religious orders in the colonisation of South America.

In that hushed incubator of intellectual romance, the British Museum Reading Room, she meets gay feminist Karen who awakens her to the delights of the flesh and lesbian companionship. At the same time a parallel life with a brain-damaged child she is helping takes her into other areas of stress, darkness and love; and her greatest convent chum, Sister Kate, bolts with a South American guerrilla group and is shot dead.

A dialogue with the Fathers (of the Church; in other words the old ways, the unliberated orthodoxies) is carried on internally, question and answer, as Anna battles through her outer, increasingly unconventual life; so are long conversations between Anna and the brain-damaged three-year-old; with much symbolism about virginity (unicorns, etc) and lots of vehemence and un-nun-like four letter words.

Though clearly written by someone literate and intelligent, it seems to me a disastrous book, tedious almost beyond bearing, ill-organised, repetitive, above all pretentious, reeling between obscurity and the obvious. And yet, and yet . . . here and there, particularly when it's narrative, not speculation or symbolism, there are good things half smothered by ...

Penelope Lively (left) and Caroline Blackwood: a biographer as a hero, and a con man as a heroic villain



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## Guys and gilts

BY BARRY RILEY

**Paul Erdman's Money Guide**
by Paul Erdman. Secker and Warburg, £8.95, 206 pages

Paul Erdman's publisher is really to blame. After all, he came up with the idea of getting a racy American business thriller writer—you know, the *Crash* of '79 and all that—to switch into the non-fiction lists and tackle the baffled investor market. It's a great concept—all you ever need to know to understand the world economy and some investment tips at the end, too. And if the action ever slackens or the argument gets thin—well, a practised airport bookstall style can get an author out of a lot of jams.

At any rate, the style is, you've guessed it, highly conversational, and there are so many words in italics that it's not so much *irritating* as *infuriating*. Rhetorical questions? You bet there are lots of those too. And no novelist could ignore the need for a few memorable characters, so there's a quick rundown of the top economists like Keynes—the gay one, with the ballerina wife—and Laffer—the Californian with curly hair.

All the same, if you skip the more *patronising* bits there's a readable enough rundown of the global economic mess—governments everywhere are spending too much money, Erdman concludes—and he can't be *too* pessimistic about an immediate crash because he's already talking about bringing out a second edition in 1986.

In fact he'll need to keep updating because some of the investment advice is really rather detailed and liable to become wide of the mark. Like his suggestion that the Save As You Earn index-linked savings scheme is a great opportunity for us lucky Brits. Right? Wrong. It got withdrawn earlier this year.

But don't knock Erdman *too* hard, because for an American he's worked pretty diligently to Anglicise large chunks of the book. Maybe he went over the top in one or two places, like when he translated the *hog cycle* as the *pig cycle*. But there's lots about Building Societies and Gilts; and, all in all, the author concludes that the UK saver is "better off than his counterpart in any other country on earth."

What about the future of the world economy? Well, it's not a nice world, Paul Erdman concludes, but it *ought* to be able to totter on for a bit longer—long enough for another edition or two, anyway. But it could be a fairly bumpy ride, and not a time to take too many risks. As any rate, for a racy thriller writer, Erdman turns out to be a pretty staid old investor, steering people well clear of commodities and with a hankering after money market accounts. If *only*, he sighs, the U.S. government would offer something as attractive as plain British National Savings Granny Bonds.

## Girl prodigy

BY RACHEL BILLINGTON

**The Young Visiters**
by Daisy Ashford, Illustrated by Posy Simmonds. Chatto and Windus, £3.95, 80 pages

**Daisy Ashford, Her Life**
by R. M. Malcomson. Chatto and Windus, £8.95, 112 pages

**The Visitors who Came to Stay**
by Annalena McAfee and Anthony Browne. Hamish Hamilton, £4.95, 32 pages

Since its publication in 1919, *The Young Visiters*, written by Daisy Ashford at the age of nine, has never lost its audience. It combines child-like naivety with razor-sharp characterisation. Mr Salteena, "an elderly man of 42," with "black and twisty whiskers" and absurd social ambitions is a comic butt of painful sympathy. Miss Ethel Monticue with her "fair hair done on top" and her "blue velvit frock which was rather short in the sleeves" is a heroine of unequalled allure. Bernard of the "very nice long legs" and religious convictions makes her a worthy spouse. Here is a reissue of the book with illustrations by Posy Simmonds and, as companion volume, a biography of its plump-cheeked author.

Illustrating afresh a well-loved volume is a hazardous affair. Posy Simmonds' figures look like Osbert Lancaster characters in fancy dress. She has employed the exaggeration of caricature rather than a formal presentation of the characters as described. This has the effect of over-egging the comic pudding.

R. M. Malcomson who is Daisy Ashford's sister's daughter, paints a glowing picture of late Victorian family life. Daisy was the sixth of eight children, five belonging to her mother's first marriage. This made for an immense spread of ages and interests and explains the novelist's mixture of sophistication and simplicity. Until she was 17, she was educated at home but the house was always ... had far more access than was usual in Victorian households.

This was mostly the result of the lively, even eccentric nature of their mother who had run away with her first charming wastrel of a husband and seen a great deal more of the world than was respectable. She was however a firm Catholic and devoted to her second husband who was also Catholic. The religious references in *The Young Visiters* are thus explained.

By describing so fully the talented and imaginative family from which Daisy sprang, R. M. Malcomson has scotched any idea of an isolated genius. Her mother and sisters also wrote plays and novels—one of which was published. This home environment explains why she never wrote as an adult. Her inspiration arose out of her situation, not, as with most writers, from an inner compulsion. It was a gloriously unselfconscious echo of the narrow but forceful life around her. Sadly, the modern nine-year-old, faced with her television and bombarded with worldly and superficial impressions is unlikely to get the same chance.

*The Visitors who Came to Stay* illustrates this point. It is about a little girl who lives alone with her divorced father. She feels miserable when their peaceful existence is invaded by her father's girl-friend and her son. However when she persuades her father to send them away, she finds she misses their gaiety and life. In a splendid reflection of this theme, devised by Annalena McAfee, Anthony Browne's pictures are cool and still when father and child are on their own; but burst into crazy surrealist life when the visitors arrive. Here is a very modern way of acquiring a larger family, but one still tiny by Victorian standards.



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# HOW TO SPEND IT

by Lucia van der Post

## All the fun of the Fair

The two craft fairs that seem consistently to attract the highest quality of work are the Goldsmith's annual event that I mentioned last week (which closes today) and the Chelsea Crafts Fair (from Wednesday October 17 to Tuesday October 23) which has become bigger and better each year since it began five years ago.

Now that the Chelsea Crafts Fair, too, has become an annual fixture it has become a happy hunting ground for all those eager to track down the one-off, the quirky, the hand-made, the special. For the seven days of the fair (which happily for office workers includes a Saturday and Sunday) Chelsea's Old Town Hall in the King's Road is turned into a crowded market place, full of jostling shoppers and the artist/craftsmen who man their stalls themselves.

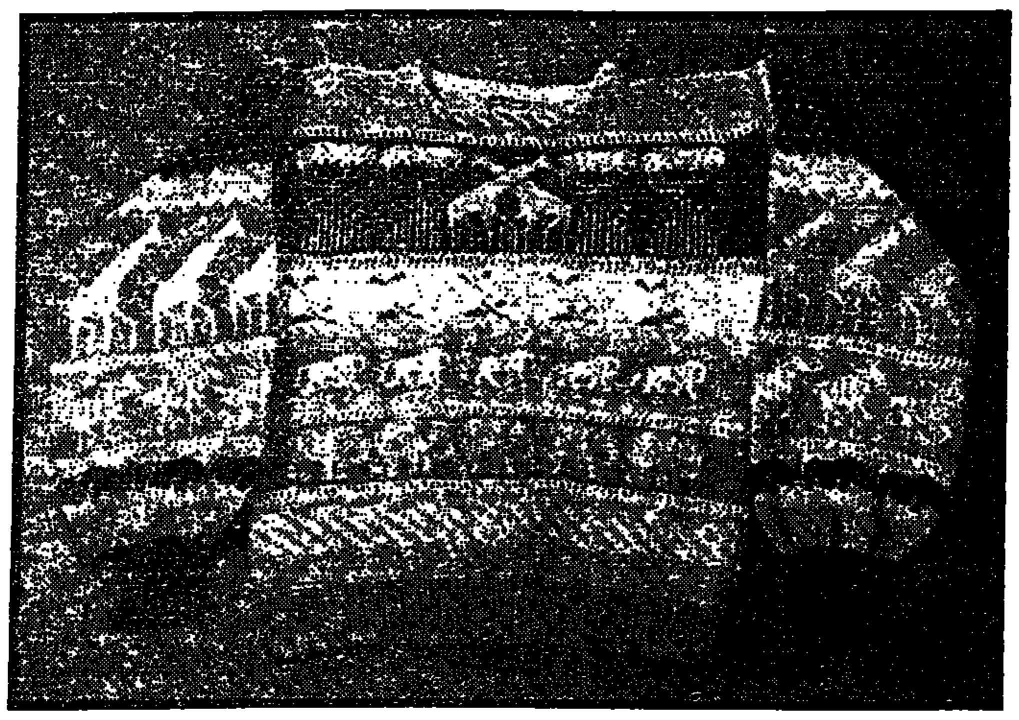
Whatever it is you are in search of, whether spectacular ceramics, finely-wrought jewellery, hand-knitted sweaters, patch-work jackets or coverlets, exquisitely-made furniture, somebody at the Chelsea Crafts Fair is bound to be making it.

There will be some 150 craftsmen, guilds and groups showing their wares but it is worth noting that though half the craftsmen will be there for the whole week, the other half will be split up into two lots—one group will be there from October 17-19 and the other from October 20-23. In this way the organisers make sure the scene is sufficiently alive and unexpected to keep visitors coming in and it also gives more craftspeople a chance to show what they can do.

As usual the mix could hardly be more varied—Christmas shoppers will be able to find a range of toys, ranging from as little as £2 to as much as £1,000 for a hand-crafted rocking horse. Ceramics is usually one of the strongest sections and just to give you an idea of the quality of some of the work that will be on sale, take a look at the photograph of the ceramic pot printed below left. Made by Mary Case, a ceramicist who works alone in a small workshop up in the borders, it shows off spectacularly her wonderfully decorative style. The pot here is about 12 in high and 10 in wide at its widest point and sells for about £90. She also has a lovely collection of decorative plates selling at between £35 and £80, depending upon size.

Look out, too, for her tea pots, lamp bases, plant holders, candlesticks, soup tureens and tiles.

Fashion is always one of the highlights of the fair and this year, besides the work on the individually manned stalls, there will be a series of shows featuring the work of a wide variety of people.



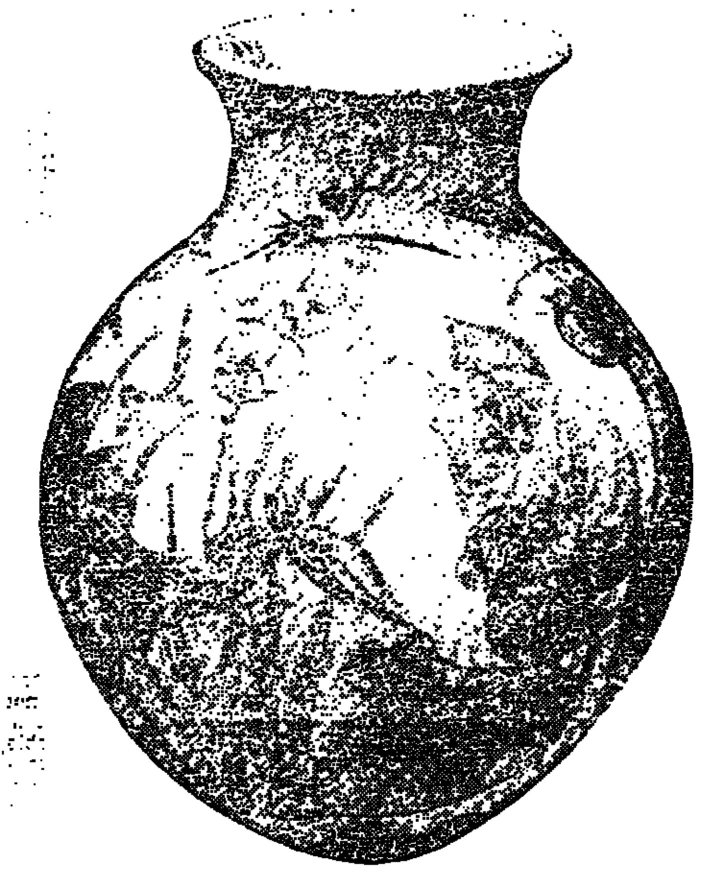
Knitted jumper in subtle muted colours, designed by Jehane du Luart, £100

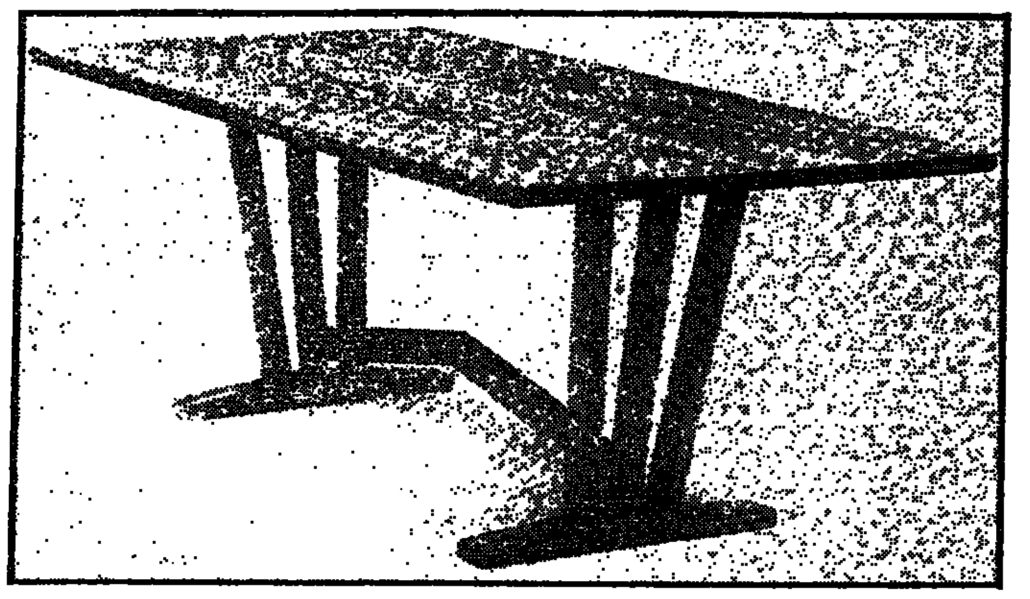
Photographed here is a sweater made by Jehane du Luart. She in fact uses a machine for the knitting but all the designs are her own and each is individual. She draws on the soft muted colours of faded tapestries and her pullovers, cardigans, coats, all have a personality and signature of their own. Her work sells at prices ranging from £65 to £300, while the sweater shown is about £100.

Rupert Senior is one of several furniture makers whose work will be there to see and to buy. He is a graduate of the John Makepeace School of Craftsmen from Parnham in Dorset and he has recently set up a work shop in Betchworth, Surrey. For the table photographed below right, he used muninga wood (a strong, stable timber from Malawi) and it sells for £1,500.

Don't let these high-sounding prices put you off. Those who have much less to spend will find inexpensive jewellery, small toys, and a whole host of things to choose from at under £50.

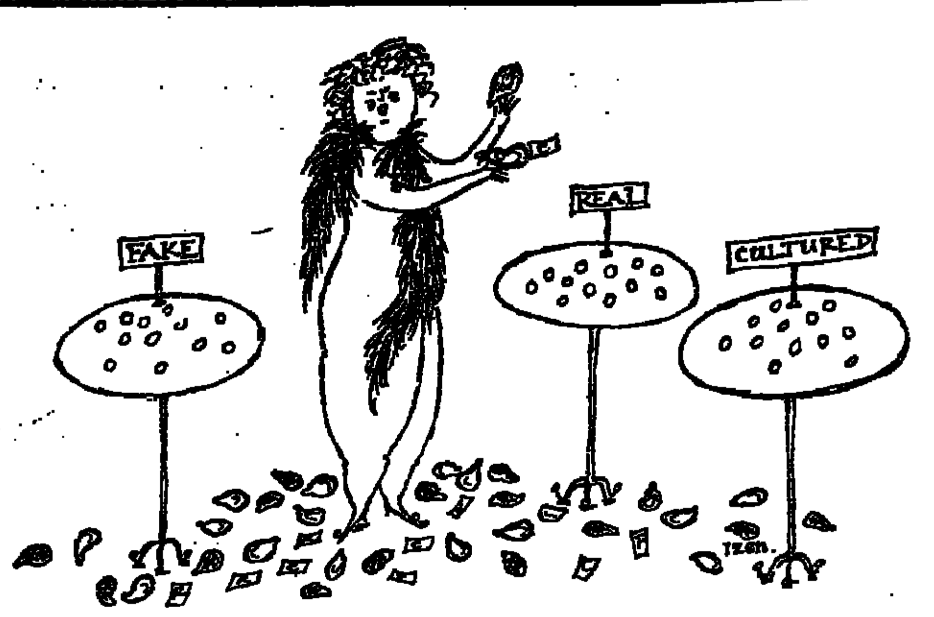
None of the craftsmen is charged any commission and costs are covered entirely by the entrance fees—adults are charged £1.50, children and old-aged pensioners, 70p. It will be open each day from 11 am to 9 pm.





Above, Rupert Senior's dining table made from muninga wood, £1,500

Left, one of Mary Case's highly decorative ceramic pots, £90




## Pearls of Wisdom

UNLESS you're in the jewellery business the chances are that if you're thinking of buying some pearls, either for yourself or for somebody close to you, you'll be fairly bewildered by the choice that lies before you. They range from strings costing as little as £10 in fashion stores and go on up to thousands of pounds in the classy jewellers.

For advice on how and what to choose I went to Ian Norrington, who regular readers of the page may well remember. Ian Norrington is a manufacturing jeweller who concentrates on small, simple, classic ranges of jewellery in which most of the value is in the stones. He sells directly to the public, has no fancy shop, just simple, unpretentious offices which are now on the fifth floor at 114 Jermyn Street, London SW1 (a full colour mail order brochure is also available).

In the past he dealt mainly with gold and precious stones like diamonds, emeralds, rubies and sapphires but now that pearls have become increasingly popular he has developed a large selection of necklaces, ear-rings, brooches, bracelets and rings. These, too, are sold directly to the public at prices that seem to be about 30 per cent below usual retail prices. For instance, a simple single-row rose coloured pearl necklace, 17 inches long with 6 mm pearls and a nine-carat gold clasp, sells for £287.50 while in a West End jeweller's shop it would cost around £400.

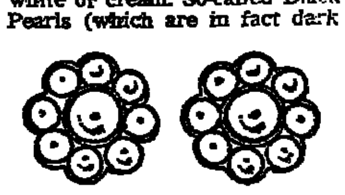
First, he suggests you should probably start by knowing exactly what a pearl is. They're one of te oldest of known gems, surrounded by legends, going back into the mists of time. And, in all the legends, pearls are the most fortuitous of jewels, bestowing love, happiness and good fortune on their possessors.

Real pearls are the most expensive, the most desired and the most rare. They are formed when an irritant like a grain of sand lodges in the depths of an oyster shell. Over the years the oyster builds up layers of a hard substance round the irritant, forming gradually a beautiful pearl.

Cultured pearls are as near as possible to the real thing—they are formed when an irritant is introduced into the oyster by man and round the nucleus the oyster builds a cultured pearl. Today some 95 per cent of all pearls sold are cultured. To give you some idea of the difference in price—a string of good quality cultured pearls selling in a jeweller's shop at about £400 would cost about £12,000 if real.

Clare Brooks

To judge the quality of cultured pearls, obviously the closer they come to being perfect the more they are worth. The most important quality in pearls of equal size is lustre, because that is what gives a pearl its beauty. Look at the shadow area of a pearl, not the reflective highlight area to judge lustre — don't confuse surface shine with the deep-seated glow that is lustre. The surface should be free of disfiguring blemishes. Colour should be pure and clear and varying from rose or pink (currently very sought-after and more expensive than cream or white because they will have been in the oyster longer) to white or cream. So-called Black Pearls (which are in fact dark



grey) are usually dyed. Most people prefer perfect round pearls but the misshapen ones (commonly known as baroque) do have a following.

Don't confuse cultured pearls with simulated ones—these are usually made from pieces of cuttlefish or glassbeads which are then coated with layers of fishscales. The cheaper strings in fashion stores are usually made from simulated pearls. If you're worried about whether pearls are cultured or not, just rub the pearl against your teeth —cultured ones will feel gritty, simulated ones will be smooth as an egg.

Once you've decided how much you can afford to spend you can then choose between graduated strings, chokers, necklaces of pearls of uniform size, earrings, brooches or rings.

When you've got them home it pays to look after them—keep them as free as possible from perspiration, cosmetics (particularly scent and hairsprays), dust and dirt. Keep them on their own in a soft bag, away from scratchy surfaces and wipe them gently with a soft cloth from time to time. Good pearls should be restrung quite regularly as perspiration and perfume will weaken the threads.

## Apples Galore

IT HAS been a bumper year for apples and those who have been confronted with mountains of windfalls before may well have worked out exactly what to do with them all. However, there are always the new recruits to country living who would like to know how to do something more enterprising than just let the surplus rot.

About four years ago I first came upon a Finnish invention called the Mehu-Maija. Those who invested in one then report that it is all it claims to be and has more than earned its space on the pantry shelves.

It is basically a large steam juice extractor and cooker and its chief joy is that it enables the cook to extract juices from, not just apples, but any fruits, berries or vegetables without using the usual fiddly muslin system. The apples should be simply quartered (no need to peel or core) and put into the steamer basket.

You then keep the water slowly boiling—the rising steam causes the juices to be released which fall into the collector. After about one and a half hours you should be able to collect seven pints of juice from every 10 lb of apples.

Though the cost of the Mehu-Maija seems initially quite high—£39.95 in stainless steel, £29.95 in alumium—remember that it can be used for steaming any fruit or vegetables, for blanching batches of vegetables for the freezer, as well as for extracting the juice from many other fruits. Buy it by post from Mehu-Maija Limited, 4 Strumpshaw Road, Brundall, Norwich N13 5PA (p+p, VAT, instructions and a recipe leaflet are all included in the prices.

For further ideas on what to do with the crop read Philippa Davenport below.

AN APPLE a day may keep the doctor away but too many apples can frighten the cook, and this is a year in which every garden seems to have produced its own daunting apple mountain.

Making cider is not difficult* and I can think of no better way to make dramatic inroads into a massive apple crop (up to 14 lb of fruit are needed to make just 1 gallon of cider). If you make more cider than you can reasonably drink, some of it can be converted very easily into cider vinegar.

### CIDER VINEGAR

Pour 4 pt still dry cider into a scrupulously clean 1 gallon size plastic bucket. Add a generous teaspoon of vinegar (cider, wine or malt vinegar) to act as "starter" and whisk the mixture for a minute or two to aerate it.

Cover the bucket with butter-muslin and set it aside in a corner of the kitchen or other warm room until the cider has turned to vinegar. This usually occurs within a few days; you will recognise when it is ready by the characteristic vinegery smell. Bottle the vinegar, cork it and store in a cool larder.

### CONCENTRATED APPLE PURÉE

Cooked apples freeze very well but time is of the essence don't recommend making a whole series of apple dishes for the freezer. Far quicker (and far more economic of freezer space) to make and freeze a concentrated apple purée which can be used as the basis for a whole host of puddings and other things later. For maximum versatility freeze the purée plain and simple.

Add flavourings *after* defrosting, according to the dish you want to make — for example whisking in cinnamon, sugar and egg whites for an old-fashioned apple snow; beating in mayonnaise or butter and lemon zest for a sauce to serve with roast pork; mixing in generous handfuls of raisins and nuts for apple mincemeat meringue; adding a sprig of rosemary and thinning the purée with cider for a casserole of chicken or pheasant.

To make the basic purée, first cook slices or chunks of peeled and cored apple in a covered pan which has been moistened with a few spoonfuls of water. When the fruit is perfectly tender, tip the contents of the pan into a sieve placed over a deep bowl and leave for a good 5 minutes to drain off as much juice as possible (save the juice for drinks). Purée the pulp, return it to the pan and cook, without a lid, over medium-low heat for 20 minutes or so until thick and dryish.

The purée will plop noisily to a rich ember. Stir frequently to prevent sticking and burning, using a long-handled wooden spoon and wearing an oven glove to protect against scalding splutters. Cool the purée completlye and spoon off any juices that float to the surface. Freeze in small batches.

### SPICED APPLE CHUTNEY

An interesting chutney like this one is perfect for soup, bread and cheese lunches. It is also good with leftovers from the Sunday joint and cold sausages, is delicious smeared over pork chops towards the end of grilling time, and can be used in tiny spoonfuls to enliven a ragout of pork or rabbit.

I love the aromatic bite of whole coriander seeds in chutney. If you like the flavour but not the graininess of the seeds, crush the coriander lightly with mortar and pestle and tie it in a piece of butter-muslin; remove and discard just before potting the chutney.

Peel, core and chop 6 lb apples and 2¼lb onions. Put them into a preserving pan. Stir in 2¼lb soft dark brown sugar, 3oz coriander seeds, 2-3 tablespoons curry powder or paste, 2 tablespoons salt and 1 tablespoon each ground cinnamon and allspice. Pour on ½ pint water and 1 pint tarragon, wine without a lid for 20 minutes until apples and onions are slightly softened.

Add another pint of vinegar and 2lb raisins or sultanas, and continue simmering, just stirring occasionally, for about 1½ hours until the consistency is rich and flavours are well blended. Pot the hot chutney into clean warm jars, cover with greaseproof paper and seal with well-fitting lids. Leave to mature for at least 1 month.

### STORING APPLES

If you cannot face any of these culinary tasks, or if you do all of them and still have a surplus, you could always try storing apples in a cool, dark, dry place such as a loft, spare room or garage. It is, however, only worth storing apples with good keeping qualities and late varieties are better than early croppers in this respect. The fruit must be perfectly sound (unblemished and with stalks intact) and ideally it should be slightly immature. Put each apple into a separate nest of crumpled newspaper and space them a little apart. Don't forget to check your apple store regularly, weeding out any "baddies" at first sign of deterioration or the rot will spread.

** If you buy the Mehu-Maija the accompanying leaflet tells you how to make apple wine but you can also ask for the cider-making leaflet.*

# ARTS

## Yes, Yes Minister

The best news of the week was the return of *Yes Minister* on Radio 4, much the best comic half-hour I have known. Nowhere else are we offered such knowing satire on current affairs. Last Tuesday's (and Thursday's) piece, about the hospital that had a full complement of administrative staff but no nursing staff and no patients, was satire at its best. The programme pays us the compliment of believing that we study the news before we check our Bingo numbers. The jokes are about the things that are, or ought to be, familiar to us from the media and the chat in the pub and the club.

The authors deserve more than a mere repetition of their names. Antony Jay was one of the stalwarts of *Tonight*, that splendid evening news programme of long ago. Jonathan Lynn is among the theatre's most versatile figures, actor, writer and director. There is faultless direction by Pete

**RADIO**
B. A. YOUNG

Atkin (who is also responsible for transferring the script from television to radio). He even goes to the length I found missing in a more auspicious programme last week, of altering the acoustic to suit the background the author has asked for, a luxury I seldom hear, simple though it must be with a nice derangement of screens in the studio. He also has actors of the very highest calibre—even secretary Derek Fowlds has done a Hamlet in his time, and Nigel Hawthorne and Paul Eddington are definite top-of-the-bill names.

More good news is the Food Programme's resurgence in its proper place at 12.30 on Sundays, to be heard while one busies oneself with luncheon. This week Derek Cooper dealt with Food from Britain, an organisation designed to promote the cause of British food abroad. (Lymeswold is not our only export). Food from Britain might be compared with the British Council, but with one difference, that the commodities sent on tour are expected to pay their own way. Joy Hatwood, the producer, got this week's Food Programme through without any songs, in case anyone thought they were in on the tail-end of the Colour Supplement.

There was an interesting programme on Radio 4 on Tuesday, *George Orwell at the BBC*. During the war, Orwell spent two years as a Talks Producer in the Indian Section of the Overseas Service, and by the sound of it he was an imaginative, even an influential, one. He wrote his own news scripts ("Here is the news, and this is George Orwell reading it" sounds alarming after 1984) and he prepared literary and political programmes. Osbert Sitwell, E. M. Forster and T. S. Eliot read their work for him. Alas, few tapes have survived.

Not unnaturally, Orwell disliked the censorship he had to undergo, both BBC policy censorship and Government censorship. (There was a tape of Brendan Bracken disguising censorship as "seeking advice.") Some of Orwell's programmes edged through the bounds of policy. He said to a colleague that he would like to tell his Indian listeners "Immediately after the war, India should be granted full independence under a government of the Congress leaders"—an item that, as we may deduce from Gordon Johnson's second Indian talk on Radio 3 on Monday, would certainly have caused no end of trouble. As soon as he left the BBC, which he did with no rancour, Orwell began *1984*.

Radio 3 has got its lost hours back, and from today onwards will be on the air from 7.00 am to midnight every day. Most of the extra time will go to music, but there will be some for talks and features. More new plays like Sandra Freeman's *Dissonance*, heard on Wednesday, will be welcome. This is one of those plays where the characters' names are paramount. Its hero, an eccentric 40-year-old philosopher, decides to set up life with a childlike but brilliant 21-year-old student, introduced to him by his best friend. It may suggest Noël Coward's *Design for Living*, but that's not how it goes. Both men want to consummate their friendship with the girl, and she is repelled by the idea of sex. The hero goes raving mad. His name is Friedrich Nietzsche, the others are Lou Salome and Paul Ree.

Much of the story is told from the standpoint of the mad Nietzsche, who reckoned that he was the world's greatest musician as well as the incarnation of Zarathustra. His music, "specially composed," as the Radio Times likes to say, by Ilona Sekacz, and played by her, illuminates the play. With Mike Gwilym, Michael Tudor Barnes and Maureen O'Brien as the fatal trio, and Susan Engle as Nietzsche's almost maternal sister Lisbeth, we had a tense, sinister hour and a quarter. Cherry Cookson directed.

## Top People hits rock bottom

BY MICHAEL COVENEY

On Thursday night there opened at the Ambassadors Theatre in London one of the most appalling shows it has ever been my privilege to witness. *Top People* by Richard O'Brien, a witless farrago of mind-bending banality, is about a bunch of inept (sic) colleagues presenting a film for a charity première while bumping off a Latin American dictator.

It is presented by one of our most distinguished impresarios, Michael White, who next week publishes a collection of his reminiscences under the unfortunately appropriate title of *Empty Seats**. It is a slight book, but there are some amusing stories about the successes he has enjoyed—*Sleuth*, *Oh! Calcutta!*, *The Rocky Horror Show*—as well as an engagingly frank tendency to discuss his flops, notably *Jeeves* and *I. I* never even opened (*Y* was the salvaged result, nothing to do with Mr White) and the same humane abortion should have been committed on *Top People*.

Mr White, who is a humorous and intelligent man, reveals an endearing inability to learn from his mistakes. Discussing another flop, Robert Shaw's *Cato Street*, he says he isagainst any author directing his own work. *I* was directed by, and starred, an inexperienced Italian Arturo Brachetti. No-one since Orson Welles has brought off that particular double function, Mr White sagaciously remarks.

*Top People* was written and directed by Richard O'Brien who is also in the cast (to say he stars as the tediously vain and pretentious actor Jim Toshery would be something of an exaggeration). We cannot put all of this down to hubris. Any student of the programme at the Ambassadors can see from the photographs that another actor was playing Toshery on the pre-London tour. In fact, three of the original cast have departed. So Mr O'Brien is acting in his own play—and directing it, too—perhaps because nobody else wanted to know.

Obviously one must sympathise with any producer landed in such a morass of incompetence. But anyone who has followed Mr O'Brien's writing career knows that, since the opening 40 minutes of *The Rocky Horror Show*, it has been downhill all the way. The perverse optimism at work here must be that some lunatic critic will herald *Top People* as a bad taste experience and recommend it as a cultist masterpiece to the nit-wits who consider the ghastly film of *The Rocky Horror Show* to be camp and funny (it still plays midnight matinees all over America and has made a very great deal of money for Messrs White and O'Brien).

Many impresarios write memoirs. The two most important volumes this century are probably those of the great showman Charles B Cochrane, whose great and beautifully written tome was published in 1925 as he was a declared bankrupt; and of Peter Hall, whose recent diaries constitute a key document of the subsidised era.

I doubt if *Empty Seats* will be of lasting value. But such books are always interesting to those happy few who love the theatre, and it will settle comfortably on my shelves alongside similar books by Henry Sherek, Peter Daubeny and Peter Saunders. Mr White served his apprenticeship with Peter Daubeny, developing his natural taste for the eclectic, avant-garde and international, in the days of Daubeny's World Theatre Seasons.

His background was privileged—schools in Switzerland, a period at the Sorbonne, no great hardship. In Paris he saw William Burroughs set fire to a wireless in a hotel bedroom. This historic moment, his first "happening," was also witnessed by Alan Ginsberg and Gregory Corso. No wonder that Mr White became a leading light of the Swinging Sixties. He smoked dope, became an inveterate party-goer, led the good life. He is the only theatrical producer with whom you can have a serious and fruitful discussion about modern art or rock music.

He is very well dressed, laconic, popular. In his 49th year he has managed, as far as one can tell from the gossip columns, the social transition from 1960s trendy to father figure of the Tatler style jeunesse dorée. Koo Stark, for instance, was in the front stalls on Thursday night. Rupert Everett was hanging around to be photographed. White retains a great talent for enthusiasm. The other side of that is a raging impulsiveness. A critic who dares express dissent from the general rapture accorded a White show, say *The Pirates of Penzance*, is likely to be vilified in a letter to his editor. His naivety about critics is most touching.

Less commented upon in the social columns is Mr White's constant espousal of valuable theatrical causes. For many years he was an active supporter of the Royal Court. He helped launch the ICA and supplied the lighting for the theatre. He has presented in London both Robert Wilson and Pina Bausch, names which would mean nothing to most of the theatre owners he despises so much.

I would have liked more in the book about the details of finance in the theatre. The chapter on "How to be a Producer" is very good. But how much money Mr White *himself* ever risks is never quite clear. Like all producers, he has his regular investors. But do these people stand by him through thick and thin? After a disaster like *Top People*, would not some of them be tempted to advise him to get lost?

Alastair Muir

**The cast point the gun and the finger at Richard O'Brien, seated, the author and director of Top People at the Ambassadors Theatre. From left, Peter Blythe, Jane How, Adam Norton, Dilys Laye, Catherine Hall**

He was beaten to the post by Robert Stigwood for the British rights of *Hair* and both he and Kenneth Tynan were taken for a bit of a ride by Hillard Elkins, the American producer, over the European rights for *Oh! Calcutta!* I think, incidentally, to claim that "nothing in the theatre world was ever the same after *Oh! Calcutta!*" is, to put it mildly, putting it strongly. My chief recollection of that harmless first night at the Round House (the show was much raunchier in New York, is of the disc jockey Simon Dee greeting the shivering actors at the end with a solo standing ovation and a victory sign.

*Top People* is, I suppose, a nightmarish parody of the twilight showbiz world Mr White inhabits, with its nincompoop Sloan Rangers, runken princesses with penchants for young boys, incontinent Greek money men, sold-out politicians (Donald Churchill does a hideous impersonation of Harold Wilson) and furtively smutty, middle-class sexual hang-ups.

None of this matters, none of this is worth satirising, even were the satire more trenchant than Mr O'Brien can provide. The entire production is sloppy beyond belief, and I'm afraid the same must be said of the editing of Mr White's book. I gave up counting th spelling mistakes and grammatical gaffes, but names are obviously a particular problem for author and publisher. The misspelt roll call includes Charles B. Cochrane (for heaven's sake), David MacDonald, Joseph Chaikin, Roland Rees, Susan Sarandon, Domini Blythe, Nicola Pagett, Linda Marlowe. Even the index is a disaster.

At the curtain call for *Top People* a most remarkable thing occurred. By first night standards, the reception was cool. Glitterati and critics, backers and friends, all were slumped disbelievingly in the stalls, sandbagged into weak submission by such a display of relentless mediocrity. A wag in the dress circle threw a few flowers onto the stage. Mr O'Brien picked one up and, Soviet style, began to applaud what remained of the audience. The rest of the cast followed suit, as if publicly acknowledging the failure they themselves had perpetrated. A critic in such circumstances is very nearly superfluous.

**Empty Seats by Michael White. Hamish Hamilton, 183 pages, £9.95.*

## Saleroom

Brian Fox, the furniture dealer, yesterday disposed of his own collection of oak furniture through Sotheby's for £124,674. A Charles II oak gateleg table, of around 1660, sold to the dealer H. Rubin for £25,300, twice the estimate, and a rare Henri II walnut buffet, of about 1675, was slightly below forecast at £11,000. A James II oak writing table of 1685, fetched £9,020, to Csaky's Antiques of London.

## Manon

Massenet's *Manon*, back again at the Coliseum, boasts a new pair of lovers and a new conductor. The rest is much as before, with the reprehensible male *personae* staunchly taken by Alan Opie, Patrick Wheatley and Stuart Kale, and Richard Van Allan nicely acerbic as the heavy father. The trio of "actresses" is again exuberantly led by Linda Randa, with excellent new support from Linda McLeod and Ethna Robinson. Henry Bardon's period stage-pictures are still smokily handsome; John Copley's production, good in parts, declines periodically into operetta without making any more effective capital of that gamble than poor Des Grieux makes of his.

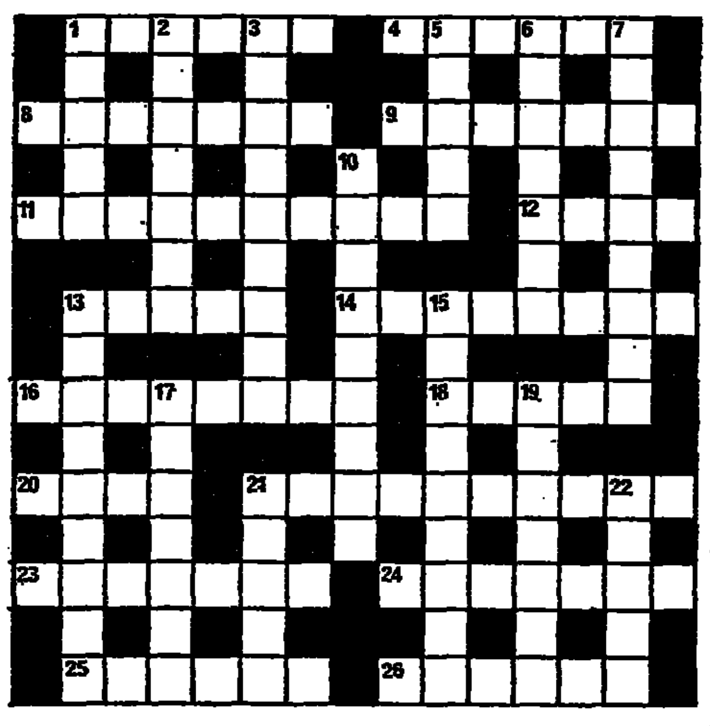
Des Grieux is Anthony Rolfe Johnson, and the role could hardly be better cast. His appreciation of French style survives the stilted English of the ENO translation, and his melting tenor — scrupulous phrasing and diction, with power enough to carry into the cavernous theatre—is a civilised pleasure in itself. The character develops with conviction to the high-camp Holy Orders scene, which has an astonishing grip, and surmounts even the strange drowned wig he has to wear in the gaming-house.

The young Canadian soprano Frances Ginzer is Manon, or rather she isn't: she begins, more or less, as Micaëla and progresses hesitantly toward Violetta, with a digression into American saloon fancy-woman in the gaming-house, but the actual Manon is never to be seen. She is no coquette, let alone a cocotte, and her eyes neither light up at the prospect of expensive pretty things nor convey an easy come-hither to male blandishments; guilt-stricken far too early, she is too plainly a decent girl to have the right feckless innocence. Yet it is a greatly promising début, gamely courageous and decidedly attractive. Though Massenet's decadent lilt eludes her, the voice is strongly and musically projected—we shall hear much more of her.

We may hope to hear much more of the conductor Henry Lewis, too, who shapes the score with a confident dramatic hand and draws some admirable playing from the E.N.O. band. His strings were under-pointed in passages where something fetching and silvery was needed, but like Rolfe Johnson he found persuasive passion again and again where mere vulgarity was just a hairsbreadth away.

DAVID MURRAY

## F.T. CROSSWORD PUZZLE NO. 5,542



*A prize of £10 will be given to each of the senders of the first five correct solutions opened. Solutions must be received by next Thursday, marked Crossword in the top left-hand corner of the envelope, and addressed to the Financial Times, 10 Cannon Street, London EC4P 4BY. Winners and solutions will be given next Saturday.*

*Name* ........................................

*Address* ........................................

........................................

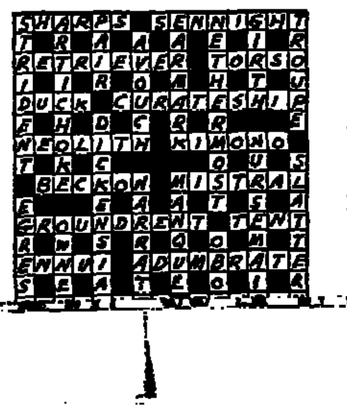
### ACROSS

1 Coolness shown by a Palestinian group doctor (6)
4 Game needing a light touch with the whip (3-3)
8 Caustic quip about worker (7)
9 Travel East on vessel in high spirits (7)
11 Keen-eyed attacking winger (4, 3, 4)
12 Love to take Sue out on the river (4)
13 Either way you can play it (5)
14 Try on the river for work (8)
16 Well brought up, but lacking refinement (5, 3)
18 One employed to unpick seams (5)
20 Classical maid who always had the last word (4)
21 A trying time for aircraft designers (4, 6)
23 Telephoning or going round (7)
24 A stiff examination (7)
25 It's possibly nice to see (6)
26 Join a number in this place (6)

### DOWN

1 Defence of the absent (5)
2 The French female gets subordinate to do the wash-
3 The form alms often take (9)
5 White or green plant put outside (5)
6 Loads for motor works (7)
7 Rate reform more certain—official (9)
10 Not smart new lines in underwear (9)
13 Order the way to go (9)
15 Silence from a stupid cast (9)
17 Doctor should prescribe no water (7)
19 Offensive rumour about an upcoming doctor (7)
21 The keynote to good health? (5)
22 Feeling of urgency as the repair is made (5)

**Solution to puzzle No. 5,541**



**Solution and winners of puzzle No. 5,536**

Mrs K. Stark, 27 Cranbrook Road, Parkstone, Poole, Dorset.
Mr C. J. Cazalet, 10 Artesian Road, London W2.
Mr F. A. Cowell, 59 Milton Road, Cambridge.

† Indicates programme in black and white

## BBC 1

8.30 am The Perishers. 8.35 The Littlest Hobo. 9.00 Saturday Superstore. 12.12 pm Weather.
12.15 Grandstand, including 12.50 News Summary; Football Focus; Boxing: preview of tonight's contest at the King's Hall, Belfast; Motor Sport: Formula 3 car racing from Silverstone, and the ACU bike championship from Oulton Park; Racing from Ascot at 2.00, 2.30 and 3.00; Racing from the Curragh at 3.40; Bowling: Crown Green bowls for the Embassy Trophy from Blackpool; Badminton: The British Airways Masters from Portsmouth; Final Score at 4.40.
5.05 News.
5.15 Regional variations.
5.20 The Tripods.
5.45 The Noel Edmonds Late Late Breakfast Show.
6.35 Bob's Full House.
7.10 Juliet Bravo.
8.00 The Paul Daniels Magic Show.
8.40 Dynasty.
9.30 Wogan.
10.20 News and Sport.
10.35 Boxing from Belfast.
11.15 "The Master Gunfighter," starring Tom Laughlin.

REGIONAL VARIATIONS 1: WALES — 5.15-5.20 pm Sports News Wales.
SCOTLAND — 5.15-5.20 pm Scoreboard. 11.15 Sportscene. 11.40-1.10 am The Late Film: "Harpy," starring Hugh O'Brian.
NORTHERN IRELAND — 4.55-5.05 pm Northern Ireland Results (opt-out from Grandstand). 5.15-5.20 Northern Ireland News. 10.35 The Late Film: "Death of a Centrefold," starring Jamie Lee Curtis. 12.05-12.10 am Northern Ireland News Headlines.
ENGLAND — 5.15-5.20 pm London Sport; South West (Plymouth) Spotlight Sport and News; All Other English Regions Sport/Regional News.

## BBC 2

11.25 am and 12.40 pm Open University.
†3.20 Saturday Cinema Double Bill: "King's Row," starring Ann Sheridan, Robert Cummings, Ronald Reagan and Betty Field, and at 5.20 "On The Double," starring Danny Kaye, Dana Wynter, Diana Dors and Margaret Rutherford.
6.50 A Vous La France (French for beginners in a series of 15 programmes).
7.15 News and Sport.
7.30 Sounds Magnificent. Andre Previn and the Royal Philharmonic Orchestra trace "The Story of the Symphony" beginning with music by Haydn and Mozart.
9.00 Rugby Special. Commentary on The Thorn EMI County Championship between Somerset and Yorkshire; plus a look forward to the tour of Australia which starts next week.
9.50 Jack High: Final of the Gateway Masters Bowls Tournament.
10.50 The Light of Experience. Pauline Welch talks about how death came to reconcile her with her mother.
10.35 Freud.
11.35 News On Two.
11.40-12.45 am Dave Brubeck Live At The Vineyards. A concert given at the Paul Masson Music Festival in California by the legendary jazz pianist.

## LONDON

gramme.THM THM TH
6.00 am TV-am Breakfast Programme. 9.25 Cartoon Time. 9.30 Fraggle Rock. 10.00 The Saturday Starship. 11.20 Mister T. 11.45 Catweazle.
12.15 pm World Of Sport: 12.20 Wrestling; 12.45 News; 12.50 On The Ball; 1.20 Darts—The MFI World Matchplay Championship; 1.40 The ITV Six from York and Ayr (introduced by Brough Scott and Jim McGrath); 3.10 Darts — The MFI World Matchplay Championship; 3.45 Half-time Soccer Round-up; 4.05 Darts; 4.45 Results.
5.00 News and Sport.
5.05 Candid Camera,
5.35 Blockbusters.
6.05 The A-Team.
7.00 Cannon and Ball.
7.45 Punchlines.
8.15 3-2-1.
9.15 The Gentle Touch.
10.15 News.
10.30 Darts—The MFI World Matchplay Championship.
12.00 London News Headlines followed by Bellamy.
1.00 am Night Thoughts with Sister Jean Robinson.

## CHANNEL 4

2.00 pm Listening Eye.
2.25 "That's Entertainment" (Part II).
†4.50 Happy Anniversary.
5.05 Brookside.
†6.00 Danger Man.
6.30 Rock-N-America.
7.00 News Summary followed by Revelations.
7.30 Union World, including a report from Trevor Hyett on the Labour Party's commitment to scrapping nuclear weapons and the efforts being made by the unions to create a different future for nuclear dependent communities.
8.00 The Sonnets of William Shakespeare.
8.15 Ladybirds.
9.00 Callan.
10.00 Look Forward.
†10.15 "The Dark Corner" starring Mark Stevens with Clifton Webb, William Bendix and Lucille Ball.
†12.10 am Scotland Yard.

**S4C WALES**
2.20 pm A Week In Politics. 2.55 Poets and People Present. 3.40 The Blood of the British. 4.10 Feature Film: "That's Entertainment" (Part I). 6.30 The Mississippi. 7.25 Superted. 7.35 Newyddion. 7.50 Byw A Bod. 8.15 Cistiau Cudd. 8.45 Pobol Port. 9.15 Y Maes Chwarae. 10.10 Callan. 11.05 Feature Film: "Zardoc" starring Sean Connery, Charlotte Rampling and John Alderton.

## REGIONS

IBA Regions as London except at the following times

**ANGLIA**
11.45 am The Smurfs. 12.00 Midnight Jazz Special: Pianist Ahmad Jamal and vibrophone player Gary Burton recorded in Cannes. 12.30 am At the end of the day.

**BORDER**
9.35 am Mister T. 11.20 Battlestar Galactica.

**CENTRAL**
9.35 am Mister T. 11.20 Galactica '80. 12.00 Midnight The Challengers.

**CHANNEL**
9.35 am Mister T. 1.20 am Puffin's Space. 11.25 Space 1999. 12.14 pm Channel Islands Weather Summary. 5.05 Puffin's Pla(i)ce. 5.10 The Smurfs. 5.35 Candid Camera. 12.00 The Moviemakers.

**GRAMPIAN**
9.35 am Mister T. 11.20 Battlestar Galactica. 12.00 Midnight Reflections, with the Very Rev Dr James Matheson, former Moderator of the General Assembly of the Church of Scotland.

**GRANADA**
9.35 am Mister T. 11.20 Chips. 12.00 Hammer House of Mystery and Suspense.

**HTV**
9.25 am The Wonderful Stories of Professor Kitzel. 9.35 Mister T. 11.20 Galactica '80. 12.13 pm HTV News.

**TSW**
9.35 am Mister T. 11.20 Gus Honeybun's Magic Birthdays. 11.23 Freeze Frame. 12.12 pm TSW Regional News. 5.05 Newsport. 5.10 The Smurfs. 5.35 Candid Camera. 12.00 The Movie Makers. 12.30 am Postscript.

**TVS**
9.25 am Porky Pig 11.45 Jabberjaws. 12.12 pm TVS Weather. 12.00 Midnight Jazz: Joe Williams sings some of his greatest hits. 12.30 am Company.

**TYNE TEES**
9.25 am Morning Glory. 9.55 Young Lookaround. 11.50 Batman, 12.13 pm North East News. 5.05 North East News. 5.10 Candid Camera. 12.00 Midnight Movie—"Penny Gold." 1.30 am Poet's Corner.

**ULSTER**
11.50 am Wild, Wild, World of Animals. 12.43 pm Lunchtime News. 4.55 Sports Results. 5.03 Ulster News. 10.27 Ulster News and Weather. 11.55 News at Bedtime.

**YORKSHIRE**
9.25 am Regional Weather Forecast. 11.20 Battlestar Galactica. 12.00 Teachers Only.

**BBC RADIO 1**
(S)=also VHF Stereo
8.00 am Peter Powell. 10.00 Dave Lee Travis. 1.00 pm My Top Ten (S). 2.00 Paul Gambaccini with America's Hits (S). 4.00 Saturday Live (S). 6.30 In Concert (S). 7.30 Ian Brass. 9.30-12.00 Dixie Peach,

**BBC RADIO 2**
8.05 am David Jacobs (S). 10.00 Sounds of the 60s (S). 11.00 Album Time (S). 1.00 pm The News Huddlines. 1.30 Sport On 2: Boxing Preview from Belfast; Racing from Ascot at 2.30, 3.00 and 3.10; Football Preview, plus second-half commentary on a top Canon League Match; News of golf, snooker, badminton, rugby union and rugby league; Sports Report including 5.40 Editorial; 5.45 Classified racing results and 5.50 Pools News and Football results. 6.00 Folk On 2. 7.00 Jazz Score. 7.30 Gala Concert (S) from the Spa Grand Hall, Scarborough, including 8.20-8.40 during the interval, Tony Bernfield meets tognight's artists and some local personalities. 9.30 Big Band Special (S). 10.00 Boxing Special. 11.00 Ken Bruce (continued from VHF). 12.05 am Night Owls introduced by Dave Gelly. 1.00 Jean Challis presents Nightride (S). 3.00-4.00 Wally Whyton introduces Country Concert (S).

**BBC RADIO 3**
7.00 am News. 7.05 Aubade (S). 9.00 News. 9.05 Record Review (S). 10.15 Stereo Release (S). 11.00 Robert Meyer Concert (S). 12.15 pm Dvorak (S). 1.00 News. 1.05 Ralph Holmes (1937-1984) (S). 2.00 Verdi's Opera (S) "Giovanna d'Arco," a performance sung in Italian, with Montserrat Caballe, conducted by James Levine Act 1. (3.15 Julian Budden discusses the opera.) 3.20 Acts 2 and 3. 4.20 18th-century Cello Music (S). 5.00 Jazz Record Requests (S). 5.45 Critics' Forum. 6.35 Edinburgh International Festival 1984. Concert by the Ensemble of the 20th Century. Eisler, Auric, Stravinsky (S). (7.25 Interval Reading). 7.30 Part 2. Milhaud, Saint-Saens. 8.10 Monteux Conducting Beethoven. A Tanglewood concert given in 1959 including 9.00-9.05 Interval Reading (S). 9.40 Peter Cornelius. Choral works, poems and letters by Cornelius (S). 10.45 Are You Still Awake. First of six dialogues in the dark, by Russell Davies, performed by Michael Denison and Dulcie Gray (S). 11.00 Mozart String Quartets (S). 11.57-12.00 News.

**BBC RADIO 4**
7.00 am News. 7.10 Today's Papers. 7.15 On Your Farm. 7.45 In Perspective. 7.50 Down to Earth. 7.55 Weather; Travel. 8.00 News. 8.10 Today's Papers. 8.15 Sport On 4. 8.48 Breakaway. The holiday, travel and leisure scene, including 8.57 Weather; Travel and 9.00 News. 9.50 News Stand. 10.05 Conference Special—The Conservatives. Robert Jones, MP, gives his own view of the conference in Brighton. 10.30 Pick of the Week (S). 11.30 From Our Own Correspondent. 12.00 News; Money Box. 12.27 pm Quote . . . Unquote (S). 12.55 Weather. 1.00 News. 1.10 Any Questions? from Saltdean, Sussex. 1.55 Shipping Forecast. 2.00 News; The Afternoon Play. 3.00 News; Frank Muir Goes Into . . . Games (S). 3.30 Bimbashi McPherson—A Life In Egypt. 4.15 The Chip Shop. 4.45 A Sideways Look At . . . by Anthony Smith. 5.00 Portrait. In the second of his two programme profiles, Sir Alexander Gibson talks to Neville Garden about his career. 5.25 Week Ending (S). 5.50 Shipping Forecast. 5.55 Weather; Travel. 6.00 News; Sports Round-up. 6.25 Separated by the Same Language with Friz Spiegl. 6.45 The Salvation Army—A Service of Thanksgiving, direct from St Paul's Cathedral, London, to commemorate 100 years of social service (S). 8.15 Saturday-Night Theatre: "Jane Clegg" by St John Ervine. 9.45 Fowl Play. An everyday story of chicken folk with Barry Paine and Brian Keith. 9.58 Weather. 10.00 News. 10.15 Another Hero of Those Times: The Life of Leigh Hunt (S). 11.00 Evening Service (S). 11.15 The Faithmkares. 11.30 Thirty-Minute Theatre: "Spangled Unicorn" by Noel Coward (S). 12.00-12.15 am News.

**BBC RADIO LONDON**
8.04 am London Weekend. 8.30 The Magic Carpet Company. 9.03 The Way It Was. 9.30 Corridors of Power . . . "On the Rates" with Ann Jones. 10.02 All That Jazz, with Brian Priestley. 11.30 Robbie Vincent's Saturday Show. 2.02 pm Breakthrough. 3.30 The Great Composers. 6.00 Guideline. 6.30 Big City. 7.30 Hold the Front Page. 8.00 Eastern Ear. 9.00 As Radio 1. 12.00-4.00 am As Radio 2.

**CHESS SOLUTIONS**
**Solution to Position No. 537**
1 P-N4 ch! wins after K-K4 (QxP ch; 2 QxQ ch and 3 RxB); 2 R-B5 ch, K-Q3; 3 Q-B8 ch, K-Q2; 4 Q-B7 ch. The game went 1 QxRP ch? K-N5; 2 RxB, K-R6! when White had to resign.
**Solution to Problem No. 537**
1 R-Q4, N-N7; 2 Q-K5! and mate next move. If 1 . . . N-Q7;



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# LEISURE

## A doctor's wife

### COLLECTING

JANET MARSH

FOLLOWING CLOSE behind football pools and newspaper giveaways, the auction rooms have become favourite purveyors of wish dreams of sudden wealth. Today's crock of gold is the priceless canvas found in a Lincolnshire barn; the Ming jar doing service as an umbrella stand, or the Sevres dish used to serve the Kittomeat.

The latest good luck story is about an Edinburgh lady who took a scrap album into Sotheby's hoping that the Victorian trade labels in it might make a few pounds.

Sotheby's was not over-excited by the labels, but the photographic experts seized upon a little group of rather strange old photographs. The pictures were removed from the album (they had been stuck back to back) and offered for sale. The first group of eight, sold in June, made around £30,000. The remaining ten, of equal quality, will be sold on Friday week and will no doubt sell as well.

The subjects are all patients from the Female Department of the Surrey County Asylum in Wandsworth, photographed in the early 1850s by the superintendent. He was Dr Hugh Diamond, a British pioneer of photography, who has unjustly received less attention from historians than illustrious contemporaries like Fox Talbot and Roger Fenton.

Diamond was born in 1809, the son of a surgeon. He was trained at the Royal College of Surgeons, at 20 was appointed pharmacist at the West Kent Infirmary and soon afterwards set up in private practice near Soho Square.

He first came to public attention in 1832 for his distinguished service during the 1832 cholera outbreak. About this time too he became interested in mental disorders and studied at Bethlehem Hospital.

He was however a man of many parts, and an obsessive collector. While still a young man he had formed a large collection of ceramics. Another interest was the printed image; and by 1836 he had formed a collection of early mezzotints so distinguished that it was purchased by the British Museum.

He was founder-member of the "Calotype Club," which led to the founding of the Photographic Society (later the RPS) in 1853. The

It was Diamond who instructed Frederick Scott Archer in the calotype process, and in return he was one of the first to whom Archer communicated his development of glass negatives by the collodion process.

This was the method used by Diamond for his remarkable studies of the patients at Wandsworth. It is now hard to know whether his interest in making them was primarily medical or pictorial; though he offered a scientific rationale in a paper delivered to the Royal Society in May 1856 "On the application of Photography to the Physiognomy and Mental Phenomena of Insanity."

The photographs, he explained, were useful in recording the appearance of mental illness.

Some of these studies were included in the first photographic exhibition, arranged by the Royal Society at Christmas 1852. It would be curious to know how the fashionable guests at the private view reacted when, among the artistic studies of still lifes, architectural beauties and the portraits of the great and good, they came upon these pictures of Dr Diamond's poor crazed charges.

The face of madness was different then: a much higher proportion of mental illness came from physical causes, like malnutrition and syphilis. Many patients who would now be cured in weeks, were condemned to lifetimes in asylums. Dr Diamond's patients appear more melancholy than aggressive.

From the Diamond collection

The long posing period required of them has given to most of them an appearance of serenity. Some wear their checked institution dresses. Unkempt and tousled hair, undone buttons and laces tell their own story.

Dr Diamond seems to have kept up his photographic record until 1858 when he resigned from Wandsworth after an incident involving the death of one of his patients. Prints are now excessively rare however: it may be that in most cases only file copies existed, and were at some time destroyed.

## Driving down memory lane

### TENNIS

JOHN BARRATT

THIS SEEMS to be the year for nostalgia. Those readers who enjoyed the parade of champions at Wimbledon that commemorated a century of women's tennis at the world's oldest tournament will be delighted to know that three of these former winners will be in action for the next three days at the new event in London. The Sunbeam Mixed Masters Championships at the David Lloyd Slazenger Racquet Club near the airport in Southall Lane promises rich entertainment.

Billie Jean King, who holds a record 20 Wimbledon titles (six of them in singles), Evonne Cawley, the delightfully gifted Australian who won in 1971 and 1980 and our own Virginia Wade, the emotional winner at the centenary meeting in 1977, are among a dozen former men and women champions competing in this special event.

The pairings conjour up some glorious memories. Billie Jean's partner is that affable Australian Fred Stolle who won two men's and three mixed titles and was a finalist in the singles in three successive years. The man who beat him in two of those finals, fellow Australian Roy Emerson (was there ever a fitter player?), is Virginia's partner.

A third Australian, the immortal Rod Laver whose two Grand Slams alone in 1962 and 1969 must rank him high in anyone's list of all-time champions, partners the diminutive American Rosie Casals whose 17 appearances in Wimbledon doubles and mixed finals underlines the contribution she has made to the game in that department.

It is fitting that the two most successful Britons in the past 20 years, Roger Taylor and Mark Cox are in the field with, respectively, Mrs Cawley and Christine Truman Janes, the darling of the British game in the late 1950s, as their partners.

The final pairing is an intriguing mixture of artistry and unorthodox cunning. When Manuel Santana of Spain, who was the French champion in 1961 and 1964, said that "grass is only fit for cows," he could not have envisaged that he would win first the U.S. championships on grass in 1965 and Wimbledon the following year. As he was made to chew his own words he doubtless regretted his youthful outburst that had failed to recognise his own talent.

Francoise Durr, his partner, was the winner of five French doubles titles as well as the mixed at Wimbledon in 1976 with Tony Roche and must surely be one of the most delightful and unusual strikers of the tennis ball ever to grace the courts.

The matches begin each night at 7 pm and earlier each day the same players will compete in a pro-Am event with the 12 winners of the Sunbeam National Club Tournament. The involvement of keen amateurs in a tournament of this sort is to be applauded.

The autumn season is well served with spectator tournaments. In a week's time the Pretty Polly Classic maintains the strong tradition of women's tennis at Brighton. The top seeds are both Americans, Pam Shriver and Kathy Jordan, and it will be interesting to see if Jo Durie can topple them despite a very meager ration of match play of late.

The following week there is the annual Wightman Cup to look forward to at the Royal Albert Hall. Supported now by Nabisco who will also become sponsors of the men's Grand Prix tour next year, this should, as usual be a good spectacle despite the fact that the American team led by Chris Evert Lloyd is likely to win for the sixth year in a row to add to their 45-10 lead in the series which began in 1923.

Then in the first full week of November the Benson & Hedges Tournament at Wembley maintains its high standard of men's tennis with John McEnroe hoping to add a sixth title in seven years but challenged by a strong field which includes Ivan Lendl who will be playing on his best surface, the Supreme court on which so much of the men's indoor game is contested.

If only we had a Bjorn Borg or a Yannick Noah whose exploits led the amazing growth of the game in Sweden and France respectively then we could expect that all this exposure for the game would inspire a greater following in Britain. Sadly there is no one in sight.

## The medium sweet taste of success

### WINES

EDMUND PENNING-ROWSELL

ALTHOUGH it is well known that wine drinking in Britain has greatly increased in recent years, which wines are most in demand and why is less clearly understood; though it is accepted that white wines are far more popular than red, while rosés are only marginally sought after.

Accordingly, last year, in order to examine consumers' attitudes towards the purchase and consumption of wine and provide a basis for the marketing of French wines here, the enterprising Food and Wine from France organisation (the British branch of the official Sopexa promotional body) commissioned a research study from Qualitative Research and Planning of Greenwich.

This consisted of 12 group discussions carried out in the North (Leeds) and the South (South Croydon, Epping and Anerley) and carefully balanced among the socio-economic groups. Ninety-three people participated, all wine drinkers, 46 male and 47 female, in the proportions of 15 in the AB category, 31 in the BC1, 31 in the C1-C2 and 16 in the C2D groups, and all divided into three age-groups.

They were divided into "regular" wine drinkers, which meant those who bought at least one bottle or box of wine a week and drank one to two bottles weekly, and "light" drinkers who averaged a purchase of only one bottle a month or a wine box every six weeks, and who drank wine only at weekends or on special occasions.

It must be said that the results did not turn out very well for French wines, for the medium dry (ie sweetish) German wines. (One wonders how many of these were in fact the deplorable "Euroblends" — German in form but largely Italian in content.)

Only among the 45-65-year-old AB regular drinkers was the preference for white wines less marked. White wine was thought to be more adaptable for every occasion, preferred in taste and reliability to red wine which was "acceptable only with food, and was criticised for its dryness and strength.

As the report suggested, it seemed likely that the critics had been introduced to very cheap red wines in the past, for a large number of the respondents had tried them only once or twice and decided that they disliked all red wines. This was accentuated by the belief that one had to pay more for a decent red wine than for a white one.

A factor that, surprisingly, emerged was that half the total sample never experimented in their wine purchases: especially the younger and lower social groups. They consistently bought the same wines time and time again. This was partly for fear of disappointment partly through lack of knowledge, the difficulty of understanding foreign labels and absence of retailer advice.

This particularly applied to the 20-30 age groups. ("You stick to the ones you know"— "I've bought a different bottle in the past and the wine was awful.") The trend towards experimentation grows with age, and more in the South than the North, with the former generally more sophisticated in its wine taste than the latter, which appeared more influenced by price, reflecting, perhaps, higher unemployment levels and lower incomes.

In view of the problems experienced by many in deciphering German wine labels and the profusion of Italian DOC wines, it is clear from the report that choice of these countries' wines is restricted to a very narrow band, notably Liebfraumilch and, presumably, Chianti or Valpolicella, for most Italian wines bought are red.

Yugoslav wines were regarded as an acceptable alternative to German wines, probably because Yugoslavia markets a Riesling, although in fact most of it is from a grape variety that the Germans deny to be a Riesling at all. Very few of the respondents bought Spanish wines, which were regarded as cheap and unpalatable, but when they did they tended to buy a brand, such as Hirondelle and Don Cortez. Generally, however, few bought by brand, although buyers-own-brands in the leading supermarkets were popular, owing to the good reputation of these chains for their merchandise.

Overall, the average price paid for a standard size bottle of wine was given as £2.50, though for the lower socio-economic groups it was £2, while the 45-65 age group regular drinkers in the South paid £3.50.

If the degree of experimentation in wine purchases is limited there is no lack of desire to learn more about wine. "A marked desire to learn more about wine," states the report, "and there was no evidence that wine terminology was associated with wine snob elitists attitudes. There would appear to be an opportunity to educate the UK wine drinker."

## Don't reject, just restore

### BOOK COLLECTING

WILLIAM ST. CLAIR

IF YOU refuse to admit volumes which are not in first-class condition, the growth of your collection will be slow. You will spend many painful hours later remembering the unrepeatable lost opportunities when rarities escaped. Leather-bound books whose covers have come loose can be rebacked and re-furbished, so regaining most of their original character. Others can sensibly be entirely rebound, even if they are in very poor condition.

Those who care about books usually have a queue of invalids, bandaged with ribbons, patiently awaiting their turn for treatment. Restoring casualties to use and beauty yields a high degree of moral satisfaction. If they were purchased cheap in the first place, rehabilitation can also be cost-effective.

Antiquarian bookshops sometimes send all their work to a single binder who works in a single style, and if your local dealer offers a rebinding service, make sure you see some examples first. The standard varies widely. The brown rebinds on view in one shop in North London are so appalling that I would be ashamed to give them shelf-room. Many more expensive bindings are garish and smudgy and quite out of character with the contents of the book. Two of the most famous firms no longer deserve their reputations. Price is seldom a reliable guide to good taste.

Binders are willing to take their own decisions on what is required. But you do better to have your own strong opinions ready in advance, and to insist on applying them. Some people restore everything. Their libraries are uniformly bright, each item spruced up beyond the fashion of its years. Personally I prefer minimal intervention. If a volume is still sound inside, even if worn and shaken, I leave it to live out a graceful old age. The appearance of others can be rejuvenated by simply replacing their lost labels. On the whole it is advisable to save as much as possible, especially if the old binding has decoration. The title on the back can be cut out and pasted on to the new leather. End papers have to be renewed but the book-plate of the former owner can be reinserted.

Books which have never been bound present special problems. Their boards are often broken and torn, and their paper labels damaged beyond repair. There is little point in rebinding them in modern boards, unless as a temporary measure. But if they are to be bound in leather or half leather for the first time, the question arises whether to trim the deckled edges. For myself, I cheerfully send them to the guillotine as certain as Robespierre that I am doing the right thing.

If you know exactly what you want, you can choose your binder on the basis of his skills and his prices. But if you need advice, it is preferable to go to someone who knows something of the history of book technology and can suggest an appropriate solution. I can recommend the St Michael's Abbey Press at Farnborough whose income supports a community of Benedictine monks. They offer a comprehensive service ranging from staunch library buckram to detailed restoration of individual treasures. With every job requiring a different amount of attention, it is impossible to produce fixed price lists. But, as an indication, St Michael's will rebind in half leather for £30-£40 a volume depending upon the lettering and decoration that is required.

If only the best will do, then you should consult Bernard C. Middleton. His house at 3 Gauden Road, Clapham is both workshop and museum. Mr Middleton has an unmatched collection of books on bookbinding—destined eventually for a university library in the United States — as well as heaps of Nigerian goatskin, tawed pigskin, marble papers, and a fumigating cabinet. The remains of books too far gone to be repaired are carefully preserved for recycling. There are 1,500 different bookbinding tools, some of which have been in use for centuries.

Mr Middleton believes that craftsmen should have a thorough understanding of the styles of the period when books were produced, and he has done much to raise standards. Other binders in search of help therefore turn to his History of English Craft Bookbinding Technique (Holland Press) and Restoration of Leather Bindings (Adamantine Press) both of which are again in print.

But although Mr Middleton specialises in restoration of old books—and his prices are not exorbitantly higher than those of lesser practitioners—he is also an artist in his own right. A specially designed exhibition binding signed by Middleton will cost you several hundred pounds. But then he stands in the tradition of the great masters of the craft.

## All power to your lawn

### GARDENING

ARTHUR HELLYER

THE BIG International Garden and Leisure Exhibition has become an important autumn event at the Birmingham Exhibition Centre, and the International Exhibition of the Institute of Groundsmanship had to move a few years ago from Mospur Park to the Windsor racecourse because it had completely outgrown its old home.

Though both events are outside the normal calendar of private gardeners I find them invaluable as a guide to new trends and developments.

At Windsor this year the emphasis was on improvements of familiar lawn care equipment, which seems to grow in size and complexity every time I visit the exhibition: and there was not very much that could be described as completely new except the little Midget Comoi from Kaaz of Japan.

This also went right against the trend for size that I have just noted, for it is the smallest power driven lawn scarifier and cultivator I have ever seen. I discovered it in the display of Paice and Sons, the Felbridge, East Grinstead garden machinery firm, and was so intrigued that I immediately arranged for one to be delivered to me for trial. I was astonished by its performance.

It is really a development of the petrol engined brush cutters and lawn trimmers that Kaaz has been manufacturing for a number of years. A very light but sturdy frame mounted on two wheels carries a tiny 23.6 cc Kawasaki two-stroke engine driving a shaft to which various tools can be attached.

The most useful one is described as a rake but is more accurately a rotating scarifier which slices and throws out moss and dead grass for lawns as efficiently as any machine I have used. The scarifier is 14 in wide and operates so swiftly and easily that it soon deals with a considerable area of lawn.

The other tools supplied are a soil crumbler which works well as a turf slitter and a rotary cultivator which would be useful for preparing seed and planting beds but only breaks the soil to a depth of 2 to 3 ins. The crumbler supplied with my machine was only 6 in wide and so was tediously slow to use, but Kaaz list one that is 12 in wide and I would think the little engine has ample power to operate this.

No tools are required to change the heads, each of which has its own hand operated clamp and a spring loaded pin which drops into a hole so engaging the head with complete accuracy. The retail price of this engaging little tool is £280.

The best small lawn mower I have tried this year is the new Suffolk Punch from Qualcast. This has all the good features of the old Suffolk Punch, including simplicity of design and ease of operation, plus a new easy starting engine which has plenty of power for the job. Alternative front rollers are supplied, one with little segmented rollers the whole width of the axle, the other, for wet or long grass, with only two small rollers, one at each side, so that the grass is not pushed down before it reaches the blades.

This is a traditional cylinder mower with seven sturdy, rigidly mounted blades that give a very smooth, clean finish. There are three models, giving 30 cm, 35 cm and 43 cm wide cuts and prices range from £150 to £195.

I am less happy about the Qualcast Mow-N-Trim and Rota-Safe electric rotary mowers for, though they must be quite the safest power driven mowers ever manufactured, they wear out their plastic blades far too quickly for my liking.

It is easy enough to replace them and they are fairly cheap but it is a nuisance to have to change a blade after almost every mowing. I think Qualcast should look for a tougher, longer wearing material.

These two machines are very similar but the Mow-N-Trim can be fitted with a short piece of nylon line, like the popular trimmers, and the front flap can then be raised so that it is possible to cut right up to solid objects.

One of the success stories of the year has been the Phospray Dilutor from Phostrogen of Corwen, Clwyd. There is nothing new about its technique for it operates, like all dilutors, by using the flow of water in a hose to draw up concentrated fertiliser from a container.

What is new about the Phospray is that the container is your own watering can to which it can be attached in a jiffy and from which, at the turn of a knob, it can either be made to draw up the concentrate or can be turned off.

The coarseness of the spray can be varied by moving a small baffle plate up or down and the angle of the nozzle can also be adjusted. There is no way of altering the proportion of the mix of concentrate and water, which is about 1 to 25, so the method of varying the rate of feeding is by varying the amount of fertiliser in the concentrate. It is all straightforward and simple and it works well.



### CHESS

LEONARD BARDEN

KASPAROV'S surprisingly poor performance in the current world title match in Moscow implies some significant changes in the outlook for international play during the next few years. It had seemed likely that the game would become dominated by the clash between Karpov and Kasparov, with this pair well clear of all their rivals and corespondingly poorer prospects for grandmasters from other nations.

But provided that Karpov completes the crushing victory which looked assured early this week when he took a 4-0 lead, Kasparov's credibility for an early renewed challenge must be diminished. This in turn implies greater interest in possible title contenders from other countries and particularly from the West.

Britain has at least three players who are high enough in the rankings to be in the running as the next challenger. Nigel Short, the world's youngest grandmaster at 19, is already rated in the top 50 men, and improving fast. Short has gained significant experience through visits to the USSR and Eastern Europe for tournaments against their GMs and is currently playing in the traditional Soviet annual at Sochi.

John Nunn, the British No 2, achieved one of his best results last month when he took first prize at Zurich. The event, sponsored by the Schweizerischen Kreditanstaldt Bank, celebrated the 175th anniversary of the world's oldest chess club, and attracted an elite field led by Spassky and Korchnoi. But both the great men dropped a game to lesser lights, while Nunn finished with an unbeaten 6/9. Our GM's success is likely to restore him to a place in the world top 20; this was one of his wins.

White: J. M. Bellon (Spain). Black: J. D. M. Nunn (England).

Benoni (Zurich 1984).

1 P-Q4, N-KB3; 2 N-KB3, P-B4; 3 P-Q5, P-K3; 4 P-B4, PxP; 5 PxP, P-Q3 (Nunn's favourite defence when playing to win as Black): 6 N-B3, P-KN3; 7 B-B4, B-N2; 8 Q-R4 ch, B-Q2; 9 Q-N3, Q-B2; 10 P-K4, O-O; 11 N-Q2, N-N5; 12 P-KR3, N-K4; 13 B-K3, R-K1; 14 R-B1, N-R3; 15 N-N5, BxN; 16 BxB, KR-QB1; 17 O-O, Q-K2; 18 P-B4, N-Q2; 19 P-K5, PxP; 20 P-Q6, QxP; 21 QxP ch (a brilliant idea, but its eventual upshot is a lost ending for White), KxQ; 22 PxP dis ch, K-N1; 23 PxQ, N-K4; 24 N-K4, P-B5! (Black's trump is the Q-side pawn majority); 25 B-N5, ... QR-K1, N-QB3; 30 B-B3, P-QN4; 31 B-Q1, P-N5; 32 B-N4, PxB; 33 BxN, PxP; 34 B-K6 ch, K-N2; 35 BxP, N-Q5; 36 B-Q3, R-B6; 37 B-N1, R-Q1; 38 R-K7 ch, K-R3; 39 P-Q7, R-B8; 40 B-Q3, N-B7; 41 BxN and White resigned. After RxB Black's rook returns to B8 and White has to concede his own passed pawn.

Tony Miles, the long-time British No 1, has had a mixed year with a brilliant victory over Karpov in the BBC 2 Master Game final followed by disappointment in the Grieveson Grant British Championship. Miles is now competing in the annual Tilburg super-tournament in Holland, an important test for his standing as a possible Karpov rival.

Miles seems well on the way to another British success with a clear lead in the Leigh Grand Prix, the annual league for British tournaments. The skill required to defeat weaker opponents with an economically minimal risk and energy is an undervalued but highly practical quality, shown in this game.

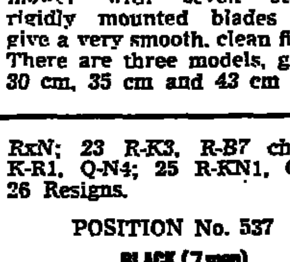
White: P. Kane. Black: A. J. Miles.

Caro-Kann Defence (Greater Manchester Open 1984).

1 P-K4, P-QB3; 2 P-Q4, P-Q4; 3 PxP, PxP; 4 B-Q3, N-QB3; 5 P-QB3, P-KN3; 6 N-B3, N-B3; 7 O-O, B-B4! (exchanging White's most active piece); 8 BxB, PxB; 9 R-K1, P-K3; 10 B-N5, B-K2; 11 QN-Q2, N-K5; 12 BxB, QxB; 13 N-K5, NxN; 14 PxN, O-O-O; 15 N-B3, KR-N1; 16 Q-Q4, K-N1; 17 QR-Q1, R-N5! (to provoke a pawn weakness near White's king); 18 P-KR3, R-N3; 19 ... RxN; 23 R-K3, R-B7 ch; 24 K-R1, Q-N4; 25 R-KN1, Q-B5; 26 Resigns.

POSITION No. 537

BLACK (7 men)

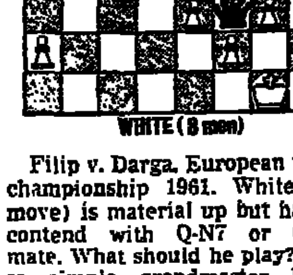


WHITE (8 men)

Filip v. Darga, European team championship 1961. White (to move) is material up but has to contend with Q-N7 or Q-R8 mate. What should he play? Not so simple—grandmaster Filip failed to solve the puzzle.

PROBLEM No. 537

BLACK (3 men)



WHITE (4 men)

White mates in three moves, ...

... force, this can be hard until you see the winning idea. White's difficulty is a lurking stalemate, eg 1 R-Q3? N-N7! when 2 K-Q2 ch, N-Q3 is not mate in three while 2 Q-QB3 is a draw.

Solutions Page 12



### BRIDGE

E. P. C. COTTER

MY FIRST example hand today comes from a duplicate pairs event, and was dealt by South with North-South vulenrable. Here is In the Counting-house:

N
♠ 7 4
♡ J 9 8 4
◇ A K 10 5
♣ A 10 5

W
♠ 10 5 2
♡ 5 2
◇ Q 8 3
♣ Q 7 6 4 3

E
♠ A K Q J 9
♡ 7 6
◇ J 9 7 4 2
♣ 8

S
♠ 8 6 3
♡ A K Q 10 3
◇ 6
♣ K J 9 2

South opened the bidding with one heart, and North made a temporising response of two diamonds, East came in with two spades, South rebid three hearts, and North's raise to four hearts concluded the auction.

West correctly led the two of spades, his partner cashed two tricks in the suit with Knave and Ace, and exited with the ... sidered the position. His contract was in no danger, but could he make that all-important over-trick by taking a successful finesse in clubs?

He set out on a voyage of discovery. He cashed dummy's two top diamond honours, discarding his two of clubs, and ruffed the five in hand. He returned to the table by ruffing his remaining spade, West following with the ten, and then led dummy's ten of diamonds, which he ruffed. On this West discarded the three of clubs.

At this point West's hand was an open book—he had started life with three spades, two hearts, and five clubs. This meant that East had a singleton club. The declarer cashed his King of clubs, in case East's singleton happened to be the Queen, but when the eight appeared on his right, he followed with his nine of clubs, and confidently finessed the ten to make eleven tricks for a good share of the match points.

The second hand comes from rubber bridge. Study Mission Control:

N
♠ 8 2
♡ J 7 5 3
◇ A K 10 8
♣ A Q 4

W
♠ K Q J 9
♡ 6 4
◇ 7 4 2
♣ 10 6 5 3

E
♠ 7 6 4
♡ K Q 10
◇ Q J 9 3
♣ 8 7 2

S
♠ A 10 5 3
♡ A 9 8 2
◇ 6 5
♣ K J 9

... mond, South replied correctly with one heart, and North raised to two hearts—he is not worth more. South now said two no trumps, the best rebid with his balanced shape, and North jumped to four hearts.

West started off with the spade King, and South played the hand in exemplary fashion. He allowed the King to hold—the first step in control. He won the spade return, and played the two of hearts, covering West's four with dummy's five—the second, and vital step in control. East took the trick with his ten, and led the diamond Queen to dummy's King.

South led a trump to his King, and when both opponents followed, he was home. He cashed his three club winners, then the Ace of diamonds, and ruffed with South's last trump. The contract is now fulfilled, and the last trick is graciously conceded to East's King of hearts.

And that is the expert way to play a 4-4 trump suit of moderate strength.

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Saturday October 13 1984

# The start of a dialogue

THE PURPOSE of a party conference—and especially of a Conservative Party conference—is to restate basic principles rather than to change them. In the tragic circumstances of Brighton yesterday Mrs Thatcher, who had shown her usual courage and determination in the small hours of the morning amid the debris of the bomb outrage, might have been tempted to make a defiant and angry speech. It is all the more significant that she did not. Whereas in 1981 she confronted the critics in her own party and the country who were arguing for change — "The lady's not for turning" — yesterday she reasoned with them. The reasoning was not always convincing, but the purpose was clear and encouraging: to show herself not so much as the leader of a counter-revolution as the leader of the natural party of national government, appealing to the broadest possible constituency.

Labour's move to the Left, and especially—as Mrs Thatcher was at pains to emphasise — its commitment to unilateralism, looks very like a retirement into permanent opposition; but if Labour has stopped listening to ordinary people, the Conservatives must listen all the more attentively, or they might risk leaving the centre opposition to offer Thatcherism with a human face. Shrewd political arguments also, as they should, reflect a national need. Success in the long run is built on cooperation and understanding rather than confrontation, and the basic change of direction is now clear and fixed.

### *Infrastructure*

We thus not only heard Mrs Thatcher quoting Lord Keynes, albeit selectively, but we heard her discuss the mine dispute in firm but reasonable terms, looking for a sensible outcome without laying down irreducible demands. We heard her listing the Government's achievements in infrastructure investment with pride, and stressing the need for interim measures to reduce unemployment.

It may not have been enough to allay the unease expressed on Thursday, but it was not the Mrs Thatcher of 1981.

Her quotations from Lord Keynes may have been one-sided, but they were apt. As a theorist in the mid-1930s he was concerned to prove that an economy could reach an equilibrium i n which a large number of the labour force would remain unemployed indefinitely. However, as a Government adviser, Keynes also recognised from the start what too many of his followers have forgotten: that the injection of monetary demand would be worse than useless if it resulted simply in higher costs and prices.

### *Casualties*

This insight also proved prophetic: the Keynesian management which had worked so well in the 1950s became increasingly problematic in the 1960s and downright inflationary in the 1970s. The most recent figures for private sector pay and the renewed pay disputes in the motor industry suggest that this problem may take as long to solve as it did to emerge.

Rational wage bargaining is not the only objective of the Government policy of allowing the maximum scope for the operation of market forces; but all its other beneficial results—structural change and technical advice—are likely to be slow to appear, as she stressed.

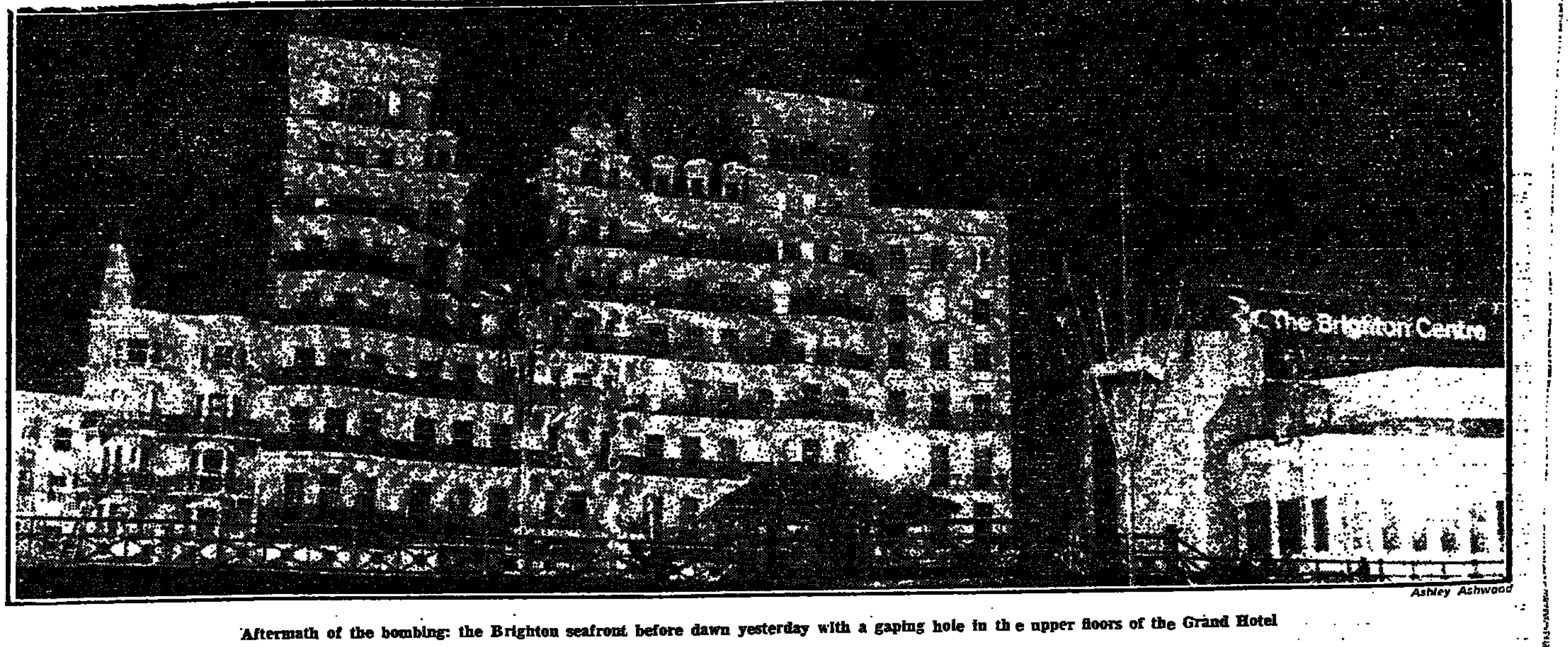
What is to be done, however, to help the casualties of this counter-revolution — many of them as innocent as the victims of yesterday's bomb? Here she was less convincing. Mrs Thatcher likes to appeal to housekeeping economics in discussing national problems. This is quite a telling way of illustrating the problems of choice and priorities, but it is not a good way to illustrate the workings of a national economy.

### *Budgeting*

In suitably homely terms, a Prime Minister's spending decisions are unlike those of a housewife, because when she chooses to spend, she will get a great deal of the money back through savings in social programmes and tax revenues: and when she chooses to economise, she will find that some distressing bills are consequently higher. A housewife who could tax the grocer and had to pay him compensation for cancelled orders, would behave differently, especially if the grocer could turn his hand, say, to extending the house. That is the economic case for public investment; it provides real assets at small net cost. The social case hardly needs arguing.

It is to be hoped that ministers do actually understand these facts of public budgeting, even if their conference rhetoric remains unchanged. The persistence of inflationary behaviour rules out any old-fashioned dash for growth, which has worked so gratifyingly for President Reagan; but a modest move in this direction would court almost no danger, would do some perceptible good and would do more than anything to sweeten the dialogue which Mrs Thatcher is rightly trying to start.

## THE TORIES AT BRIGHTON




Ashley Ashwood

Aftermath of the bombing: the Brighton seafront before dawn yesterday with a gaping hole in th e upper floors of the Grand Hotel

# We shall go on as before

By Malcolm Rutherford

THE FRAGILITY of the rule of law had been the underlying theme of the Conservative Party Conference in Brighton this week even before the bomb went off at the Grand Hotel early yesterday.

It took the explosion and the television pictures that followed to make the point more forcefully than any of the speakers could. Violence happened in a place that was supposed to be most closely protected.

Yet something else happened too. The conference went on, and Mrs Thatcher emerged i nthe middle of the night to say that it would. Not only that: Mr Neil Kinnock, the leader of the Labour Party, who has sometimes been criticised for being less than forthright in his condemnation of extra-parliamentary activity, issued a message of sympathy and encouragement to the Prime Minister before most people were out of their beds.

For anyone who was there it will remain an unforttable experience — like remembering what you did on the day that John Kennedy was killed. Some slept through it. Others heard the bang, thought it was thunder or the wind, and went back to sleep. Some did not know about it until morning.

But it was the continuity that was so striking. People who would not normally say so, praised Mrs Thatcher for her calm and determination.

I was in Munich in 1972 when the Palestinians attacked the Olympic village and while more people were killed there than had been in Brighton, the contrast was very stark. Here there was no inquest into the national psyche, only a readiness to try to go on as before.

Yet it was still a dramatic underlining of what had been said during much of the week. The Prime Minister told the conference in her closing speech yesterday. "The nation now faces what is probably the most testing crisis of our time—the battle between the extremists and the rest."

That section of her address had almost certainly been written before the bomb went off. It was related to the violence on the picket lines and some of the antics at the Labour Party Conference in Blackpool a week ago. But oddly enough the words stood, even though this time the violence came, by its own admission, from the Provisional IRA.

It would be quite wrong to imagine, however, that the Tory party in Brighton had been engaged on a campaign to impose law and order by force. That goes for some of its supporters, perhaps, but for the Government the approach is far subtler.

The question is how to maintain law and order when some people want to overthrow it, and how to do it while keeping the independence of the judiciary.

Mrs Thatcher said yesterday: "What we have seen in this country is the emergence of an organised revolutionary minority who are prepared to exploit industrial disputes but whose real aim is the breakdown of law and order and the destruction of democratic parliamentary government."

But she went on: "No government owns the law." Then she quoted Theodore Roosevelt: "No man is above the law and no man is below it; nor do we ask any man's permission when we require him to obey it. Obedience to the law is demanded as a right—not asked as a favour."

The business of trying to achieve that balance of the rule of law by consent has been at the heart of the conference, and quite clearly the Government has been more worried than it is prepared to admit in public about the possibility of uncontrollable violence breaking out on the picket lines or even of a renewal of the troubles in the inner cities.

A keynote conference speech was given by Sir Patrick Mayhew, the Solicitor-General, to the Conservative Political Centre on Wednesday evening. He called it "The Rule of Law" and it contained the following quotation from Edmund Burke:

"Nations are governed by the same method, and on the same principle, by which an individual without authority is often able to govern those who are his equals or his superiors: by a knowledge of their temper and a judicious management of it . . . the temper of the people amongst them whom he presides ought therefore to be the first study of a statesman."

That phrase about "the temper of the people," which Sir Patrick underlined, is central. The Government is trying to turn the country round at a time there is great social and economic change in any case, independently of its owna ction. It would like to accelerate the change rather than slow it down—that is the real difference betwene Mrs Thatcher and Mr Kinnock. But it can only do so successfully if it correctly judges the temper of the people.

The news from Brighton is that it is doing pretty well on every issue save one. A Tory Party Conference is no longer an artificial place ni which to take soundings of national opinion. The party has broadened. There have been working minersh ere, and their wives, and they have ceased to be curiosities. Instead, they seem to be natural members of the Tory movement.

The evidence is that the Government has recovered from the banana skins that dogged the first year of Mrs Thatcher's second administration. Minister after Minister has come out with proposals for legislation that could fill the working time of the present Parliament. Indeed, one has the impression that some of them are already working on the Conservative manifesto for a general election.

Mr Patrick Jenkin, the Environment Secretary, is no longer stumbling in his approach to the abolition of the GLC and the metropolitan councils. He actually went on the offensive in anouncing a fundamental finance works. There will be no fiddling about with promises to abolish domestic rates without knowing what to put in their place. The idea now is for a plan for comprehensive reform to be offered in the manifesto next time.

The Government is on the offensive, too, on the National Health Service. Another of Mrs Thatcher's impetuous promises—"the NHS is safe in our hands"—may turn out to be redeemed. The figures showing an overall expansion of the service are beginning to look impressive, despite some local difficulties.

The word is that proposals for reform of all the social services wil be in the Queen's Speech next year, as a result of what Mr Norman Fowler, the Social Services Secretary, calls the biggest review since Beveridge, and a Green or White Paper planned for February or March.

There have been other achievements to report: Hong Kong, for example, and the final coming to terms with membership of the European Community. The question of whether Britain should be in or out of Europe has become a dead letter, as has been apparent at all the party conferences this season. Mrs Thatcher yesterday paid a deserved compliment to Sir Geoffrey Howe, the Foreign Secretary, for his pains.

Defence looks at least like a temporary winner as well, it only because the other parties are so divided on it. Cruise missiles have come without the extent of civil unrest that there might have been, and the search for East-West detente is on again.

The Prime Minister claimed in her speech that it is now the Tories who are the true peace party and added more strikingly; "This party is pro-American." It is just possible that that old post-war dream has a chance of coming true at last: a Britain that has settled its relationship with Western Europe, and a Europe that can come to terms with the U.S. on a more equal basis.

And yet neither the achievements nor the bomb are the full story of the conference. There remains the one crucial area where the government is not doing well: namely unemployment. Mrs Thatcher admitted it herself. It was, she said, the "scourge of our times." Certainly it was what the conference was most worried about.

Mr Nigel Lawson, the Chancellor of the Exchequer, was a flop when he avoided addressing the issue in anything like human terms in his speech on Wednesday. He is not the party's darling and one of his colleagues remarked that he did not even have the sensitivity to feel nervous before speaking — a sure sign of not taking the conference seriously.

Mrs Thatcher retrieved the position a bit, at least by acknowledging that there was a problem. She has also picked up some of the language of the other parties by talking about caring and compassion and combining it with conviction. It was almost like Dr David emphasising the mixture of toughness and tenderness. But she offered precious few answers for the short or even medium term.

What she had done on this, as in so many other areas, was to go back to the end of the Second World War—a period when she thinks everything should have been going right and di for a while. The Prime Minister's version of British history is that the rot set in sometime in the early 1950.

Thus she quoted the 1944 White Paper on full employment and called it not Keynesian but Thatcherite. "Employment cannot be created by Act of Parliament or by Government action alone . . . the success of the policy outlined in this paper will ultimately depend on the understanding and support of the community"

It was a good theme and no one should believe that Mrs Thatcher does not care about the number out of work. It is make or break for the success of her administration.

The drama of the bomb has probably given her another reprieve. It took attention away from what has been emerging as the dominant issue of the conference; unemployment and the rule of law.

The two go together. It will be easier to maintain the rule of law if unemployment starts to fall. The Government is desperately aware of this.

It has one other worry which may seem a luxury. It has a terrible responsibility because the opposition remains divided and there is no alternative Government ready to take over. The thought was being entertained quite seriously this week that the Tories could win the next election with another increased majority. But what if they do that and unemployment is still climbing? The very thought adds point to the fears about an extra-parliamentary opposition.

To end however, where we came in, during the early hours of yesterday. That is Ireland. If the Government requires a demonstration of the need to put the Irish questions high up in the political agenda, that was it. First signs are that the hint will be taken. The Provisional IRA has over-reached itself. Out of that some good might come.

# Letters to the Editor

## Ambitious projects

*From Mr A. Gueterbock*

Sir,—I wholeheartedly endorse the sentiments for an early Government decision in respect of a cross-Channel link, expressed by Nicholas Colchester in his article, "Time to channel our energies" (Oct 8).

Within the bounds of the British Government's declared monetary philosophy that such a link should be totally financed in the private sector, it is indeed ". . . perfectly possible to devise financing schemes that involve a substantial degree of private risk and reward, but the governments are going to have to take the lead."

To be more specific it is the British Government which initially has to take the lead. It was a British Government which unilaterally abandoned the last project in 1975, and also originated the present initiative; therefore the French, who have always been in favour of such a scheme, seek assurance that history will not repeat itself and that this time, once started, the project will be completed.

In his succinct summary of the reasons why we should be getting on with the building of a cross-Channel link, Mr Colchester said that the governments ". . . should identify the most ambitious project that seems economically justifiable . . ." and then proceeded to personally identify himself with the Euroroute scheme.

Alas! Mr Colchester, the words "ambitious" and "economically justifiable" are unfortunately not necessarily compatible.

"The five major banks," or, more properly, the Franco/British Channel Link Financing Group, concluded that the ". . . only scheme which is both technically acceptable and financially viable . . ." was the rail operated twin bored tunnel private and standard commercial road vehicles, proposed by the Channel Tunnel Group.

The Financing Group's report rejected the private financing capability of bridges and the Euroroute schemes on the grounds that ". . . technical risks and overall financial commitment are beyond market acceptability. . . ."

As Mr Colchester implied, a cross-Channel link is not the overall solution to the problem of unemployment which is such a blight on the national economies on both sides of the Channel, but it would provide a stimulus in the right direction, away from the continuous and depressing upward trend. The Channel Tunnel would provide 250,000 man years of employment during its construction and, in operation, 8,000 new permanent job opportunities in direct and related employment in both Britain and France.

The Channel Tunnel has a far greater road vehicle throughput capacity than the Euroroute scheme which costs at least three times as much.

It makes no economic sense to pay more for less in the "justification of the ambitious."

A. F. Gueterbock,
*Channel Tunnel Group,*
*28, Hammersmith Grove, W6.*

## Top pay rates and jobs

*From Mr J. Chancellor*

Sir,—In reply to the letter from Mr A. Chancellor (October 9) referring to the record unemployment figures and the large increases in "top-people's" pay.

It is worth remembering the Chancellor of the Exchequer has been using the theme for many months now that many people are pricing themselves out of their jobs.

Perhaps the wheel will turn full circle and they will join the ranks of the unemployed and sense but also in the financial sense.

James Chancellor.
*3 Sloane Terrace, SW1.*

## Trading on Sunday

*From Mr H. Woolf*

Sir,—I read the first published letter (September 15) from Mr F. T. Pattinson, in opposition to Sunday trading, with a mixture of amusement and some disbelief that its content was worthy of publication. It certainly was not worthy of reply. Then, his facts and figures were as confused as his argument was false.

His second letter (October 5) was as much a rag bag of subjectivity, information about New York State, let alone the whole of the U.S., which would not bear close scrutiny and, idle comment upon British retailing, its associated costs and the services supporting it.

This country's greatest trading venue, Oxford Street, used to be closed on Saturday afternoons. Over a year or two in the late 1960s one trader opened, then another, then another, until the local authority, with an eye on potential vast rating increases but doubtless concerned with public remand, changed the regulations regarding Saturday trading where upon the rush to open on Saturdays became a flood and now virtually the entire street is open. Every trader has enjoyed excellent extra business as the street has become a magnet for tourists. British holiday- [illegible] enjoys are regularly published and the benefits to the balance of payments for the country are well known. The John Lewis Parnership, in this street and others in central London, is however, an exception; it remains closed on Saturday afternoons. All the competitors of this great trading company are open on that day, yet no competitive pressures appear to exist to force the partnership to open.

Those that argue that prices will increase because of proportionate cost increases as a result of a longer or mixed retail opening period but that the amount of spending power available to the public is, as if by magic, fixed to the number of days shops are open (Mr Patrick H. Jones' letter of same date), should extend their logic and consider closing shops, by law, an extra day or two to save this cost.

After all, what is so special about opening five and a half or six days, why not five, four, three, two or even one? If the costs are proportionate and the spend fixed, shops could take it in turn to open say one or two days a week, perhaps supervised by the local authority so as to maintain a fair share of the "fixed" trade and, in deference to the logic, retail staff could go on paid holiday for most of the week, all other costs would be cut to the bone, prices must fall, no one would suffer and many would be advantaged. But who would believe it?

Mr Pattinson's last paragraph is the most amusing for he [illegible] ing policy" will be short-lived as a result of people shopping soon at and from their TV screen. I agree, but will they be asked to turn it off between 8.00 pm and midnight, after 1.00 pm on Saturdays and all day Sunday?

It surely cannot be other than reasonable that retailers should be allowed to satisfy the needs of their customers at times flexible, suitable and convenient to those customers? There is after all, massive evidence that this view is shared by the people.

H. Woolf.
*60 Kings Road, SW3.*

## Graduates in business

*From the Director,*
*Business Graduates Association*

Sir,—Many of the headlines referring to the recent report of business graduates published by Harbridge House reflect a now familiar criticism of MBAs. They are variously accused of being arrogant and ambitious and of being a disruptive influence in their companies.

Close reading of the report, however, reveals that it is the big international companies, frequently American, who profess themselves most happy with MBAs and who employ large numbers of them. Curiously enough, these are the companies which are widely regarded as being dynamic and successful.

Conversely, the adverse comments tend to come from the more traditional companies who have difficulty in utilising the talents of MBAs. There is some evidence from our own records that disillusionment is great in this type of company leading to a drift away from organisations where they are stifled.

If successful companies are employing increasing numbers of MBAs while less successful companies are struggling to keep the few they have then the Harbridge House report [illegible] precisely what they have been trained to do, that is, stimulate organisations to improve.

(Professor) J. A. Kennerley.
*28, Margaret Street, W1.*

## Premium on money management

*From Mr R. Eastley*

Sir,—As a small business owner with a healthy credit bank balance I decided to follow Lord Weinstock's example by transferring "idle" money into a separate IB a/c with the same bank operating my firm's current business, with instructions—which were accepted—that on each month's maturity the interest be transferred to current a/c.

Caution was taken to ensure the current did not fall below a comfortable operating margin, and, of course, my instruction incorporated measures to ensure I acquired satisfaction by a monthly instrument of money movement between the two.

Since my implementation of this business "benefit," however, I became aware that my previous "entry" charges of 0.267p had escalated to £1.008 per entry on successive statements.

Further malfeasance manifested itself into my receipt each month, on the day of maturity, a form requesting permission to roll-over—completely ignoring my seven-day prior request.

Needless to say, the inevitable occurred on one occasion and while my IB a/c remained exceedingly healthy, the current invoked an overdraft twice the interest rate of the IB. (Holidays were, of course, the excuse, and my vituperations even brought my bank manager to my office—at his request.)

It is probably obvious that other firms and companies have also emulated GEC's wisdom; are they, too, receiving a premium charge upon their money management?

Ronald Eastley.
*89 Welbeck Road, [illegible]*

Dr Runcie and the Bishops

# The Church as critic

By Godfrey Hodgson

DR ROBERT RUNCIE, the Archbishop of Canterbury, is by no means the first British churchman to speak out on the human consequences of social and industrial conflict. And Mrs Thatcher is far from being the first Tory leader to be irritated by leading churchmen doing that.

In 1926 Winston Churchill flatly refused to give space, in the British Gazette he produced during the General Strike, to an appeal to end the strike organised, among others, by Randall Davidson, then Archbishop of Canterbury.

When some bishops tried to intervene in an iron and steel strike in the 1920s, Stanley Baldwin was incensed. He is said to have asked them how they would feel if the iron-masters were to pronounce upon the language of the Athanasian creed.

In 1934 Neville Chamberlain, as Chancellor of the Exchequer, was indignant when William Temple, the Christian socialist who was then Archbishop of York and later became Archbishop of Canterbury, wrote to The Times saying that if there was any surplus in the budget, the unemployed had the first claim to it.

From late Victorian times until the Second World War, church leaders—both in the Church of England and in the Roman Catholic and non-conformist churches—often saw it their duty to speak out about what was then called "the social question."

Not all churchmen, of course, took the unions' side. In 1925, in the coal stoppage that led to the General Strike the following year, the Dean of Durham was ducked in the river Wear by miners during the gala. There were many who thought they had mistaken him for the Bishop of Durham, Hensley Henson, who had been an outspoken critic of strikes in general ("shirking") and of picketing in particular, which he called "a sordid and hypocritical form of organised bullying."

But since 1945, and until comparatively recently, it has been rare for Church leaders to get involved in industrial disputes.

The bishops are of course well within their constitutional rights in speaking out on "political" questions. The Church of England is the established church of the land and 26 of the 42 diocesan bishops sit as spiritual peers in the Lords.

Dr Runcie, Archbishop of Canterbury (left), and Dr David Jenkins, Bishop of Durham

Church leaders feel they have a duty not only to represent active members of the Church of England, but also to give guidance on social and moral questions to millions of lapsed or lukewarm Anglicans and, indeed, to the nation as a whole.

Easter communicants now number 1.7m, down from 2.3m in 1960. Communicants on a normal Sunday had been increasing in number, but the last figure was down again: 682,000 in 1982. About 1.2m Anglicans go to church on a normal Sunday, rather more than half of whom take communion: even the smaller number is larger than the active membership of the Labour Party and 10 times as many as the Social Democrats.

There is virtually no parallel in the Church of England to the radical ministry and quasi-Marxist "liberation theology" which are common in the Roman Catholic Church in Latin America, Europe, the U.S. and elsewhere. Still, the Church of England's position on industrial and social issues is a good deal less conservative now than many laymen imagine.

The Church of England's general synod has a board of social responsibility, whose chairman is Dr Montefiore, Bishop of Birmingham, which in turn has an industrial and economic affairs committee, chaired by Bishop Simon Phipps of Lincoln. Over the past few years the committee has poured out papers on a wide range of issues such as unemployment, industrial relations, and the closed shop.

● "There seems to be a movement from consensus to confrontation . . ."

● "And then there are the long-term problems of the unemployed, especially the young unemployed."

● "How long can we wait for jam for tomorrow? . . . I listen with dismay sometimes to the atmosphere in which debates about our society are conducted. . ."

—Dr Runcie

The synod itself has adopted a number of resolutions on industrial issues in the past few years, and there, too, the overall position is well to the left of the present Government's.

One reason why the Church of England's social thinking is now well to the left of Thatcherite Toryism is that the clergy are almost the only professional group to live in widely different social areas throughout the country.

It is the Church's instinct to look for consensus and conciliation and to avoid confrontation. This is just the instinct of the Tory wets, and Mrs Thatcher and her ministers are no more likely to like it in bishops than they did in their former colleagues.

It is a measure of how far the Church is now to the "Left" of the Government on social and industrial issues that Dr Runcie intended his interview with The Times, which was widely taken as criticism of the Government, to be a search for the "middle ground" between such radical prelates as Bishop David Jenkins of Durham, and the more conservative wing of the Church, represented by someone like Dr Douglas Feaver, the Bishop of Peterborough.

While it is not easy to characterise the positions of such an independent-minded and non-political group of men as the bench of English bishops, close observers believe that the great majority share Dr Runcie's concern. Perhaps fewer than half a dozen would want to associate themselves with the Bishop of Peterborough's criticisms of the miners.

Many bishops, including Dr Runcie, have been made aware by their clergy of the deterioration of conditions in mining areas. In the archbishop's case, the bitterness of divisions between striking and working miners were sharply illustrated during a recent visit he made to the mining village of Cresswell, in Derbyshire. He met and talked to people involved in the mining community, including both working and striking miners, at the local vicarage, whose incumbent happens to be the son and grandson of miners.

Dr Runcie gave his interview to The Times on October 5; on the previous day there was an informal bishop's meeting, at which there was a discussion of the miner's strike, but there was no co-ordination between the various bishops who have spoken out on the issue, and the archbishop did not tell anyone that he intended to speak out himself.

His reasons for doing so are perhaps not very different from those that Archbishop Davidson gave in 1926 for trying to prevent the General Strike. "His object," he said, "would be a spiritual one, and an assurance that the church was alive and awake to what is happening, and that its leaders were doing their best."

Tommaso Buscetta under arrest.

Mafia crackdown

# Honour broken by greed...

By James Buxton in Rome

THE Park Philip Hotel is not on many people's list of the best hotels in Italy. It is in the town of Patti in eastern Sicily, whose only claim to fame until now was as the birthplace of the convicted swindler Michele Sindona.

But now the Park Philip has an important if unwilling guest. He is Vito Ciancimino, former mayor of Palermo, and he is obliged to stay there at least until the end of this month on the orders of a judge, in a kind of internal exile.

To many Italians he is the most significant victim of the roundup of Mafia suspects two weeks ago which were triggered by the confessions of Tommaso Buscetta, the first Mafia boss in years to break the organisation's oath of silence and incriminate his colleagues.

Buscetta was not the Godfather. He is said to be a "third echelon" boss. But his confessions enabled Italian police to arrest about 60 leading gangsters, while a further 30 were temporarily rounded up in the U.S. His evidence will also be used to try to convict many more who are already in jail.

What Buscetta did was give the Italian magistrates an exceptional view from the inside of how the Mafia operates both in Italy and the U.S. He told what he knew of the many brutal operations he had personally been involved in. The Italian and U.S. authorities now hope that the process will snowball: that as more of the picture of the international criminal organisation's activities is filled in, further arrests can be made, interrogation of those held can be made to yield more, and other Mafia bosses may be persuaded to talk.

Eventually, they hope, a state of "critical mass" might be reached where police know so much that massive arrests can be made, and the frontiers of the Mafia rolled back. For the moment, this is little more than a hope.

The exile to Patti of Vito Ciancimino (Don Vito as he is called) is a tiny but crucial part of this process. He is not thought to be a gangster but rather to be part of that superstructure of compliant or conniving politicians who allow the Mafia to survive as a deeply entrenched Italian institution. Hitherto such men have been even more untouchable than the big bosses they protect.

But not any more. Ciancimino has been a leading figure in the Christian Democrat establishment in Sicily, the island's dominant party. The man ultimately responsible for his detention—as investigations of his activities go ahead—is Sig Oscar Luigi Scalfaro, the Christian Democrat Minister of the Interior and one of the most important figures in the party. Nothing could better demonstrate the new determination of the Italian authorities to tackle the Mafia.

There are two reasons for this. One is that in the past 15 to 20 years the Mafia has become so powerful and malign a force that it is no longer possible for governments to plead—with some conviction—their impotence. Even as late as the 1960s it was often described in books as something sinister but slightly romantic, a band of "men of honour" whose existence could be blamed on the poverty of the island long dominated by aliens. It was even argued that its grip on the Sicilian countryside imposed order of a kind.

The new Mafia has kept its highly effective tradition of omerta—the oath of silence about crimes and suspicious goings on—but little else. It is now an urban affair. Since the war it has moved into smuggling, racketeering, kidnapping, receiving stolen property and speculative building—transforming Palermo from a once attractive Mediterranean city into a dusty boom-town of tower blocks and traffic jams.

The Mafia has spread its tentacles all over Italy, but where it really struck gold was with drugs. The Sicilian Mafia is now reckoned to control much of the heroin traffic in Europe, and, with its U.S. cousins, well over half the heroin trade in the north-east part of the U.S.—the world's richest heroin market. "Some of the best brains in the world seem to be working out ever-more ingenious ways of smuggling the stuff," says one official.

Estimates of the value to the Sicilian Mafia of this commerce vary wildly but foreign financiers visiting Rome recently were astonished to be told by a senior banker: "You don't want to believe Italy's GDP figures—they don't include our drugs industry."

Whatever the figures, the wealth generated by the trade has been almost embarrassing to the Mafia, its pyramid structure and code of honour — designed to settle disputes between the different gangs — have become strained under the force of greed: warfare between gangs has killed about 500 people in and around Palermo this decade. For years the authorities hoped that the pressure would lead to a Mafia boss cracking. The man who did talk, Buscetta, decided to do so, it seems, to obtain revenge and to protect what remained of his family after several of his children and relations had been killed by rival gangs.

The other reason the Italian Government is now tackling the Mafia with much more resolve is that it feels it has some of the weapons to do so. The success of the fight against left-wing terrorism in the early 1980s led to the creation for the first time of centralised control over the country's many police forces.

Attention switched to the Mafia after the rout of terrorism in 1982. General Carlo Alberto Dalla Chiesa, a leader of the war on the Red Brigades, was sent to Palermo as Prefect and anti-Mafia commissioner. He swiftly complained that his powers were inadequate but before anything was done about them, the Mafia, alarmed at what it rightly took to be a serious challenge, assassinated him and his young wife in the street.

However, the general did not die in vain. A shamefaced parliament in Rome rapidly passed anti-Mafia legislation which the Mafia lobby had kept off the statute book for years. Magistrates can now, for example, investigate bank accounts to trace the vast proceeds of the heroin trail. Extra powers were belatedly given to the new anti-Mafia Commissioner, Sig Emanuele de Francesco, a police chief and former head of Italy's secret service. There is a far tighter co-operation with the U.S. police and prosecutors, and last month a much more effective extradition treaty came into force.

It is tempting to hope that the Mafia might be defeated by the combination of better police work and spectacular confessions that virtually eradicated terrorism, but the Mafia is far bigger, and more entrenched, and many more people have an interest in keeping it alive than was the case with terrorism. As one official says: "The lure of money in this business is so great that there are always people willing to step into the shoes of those who get hauled in."

Now Italy has demonstrated that the Mafia is not totally invincible, it needs a few hundred more Buscettas.

## Weekend Brief

### Sumo champ from Samoa

FEW SUBJECTS have been so exhaustively explored as Japanese non-tariff barriers—for which maybe a better description is cultural preference. It is arguable that as Japan gets to know the world better, some of these walls become more permeable. But every now and then something happens which reveals the true depth of Japanese antipathy to that which is foreign; if a national institution appears threatened, the emotions unleashed can run riot.

This is precisely what has happened in the last fortnight in, of all places, the unlikely arena of Japan's national sport, sumo wrestling. Only a handful of aficionados outside Japan will know that sumo is subject to foreign penetration; even those of us here in Tokyo who find it absorbing cannot easily believe that the national honour is somehow at stake; it is not like Hungary's destruction of England at Wembley in 1956 or the passions that prompted "bodyline" bowling in the 1930s. But that is not how the Japanese see it and, as such, the story is instructive beyond the confines of the "dohyo" (the sumo ring).

The perceived threat is certainly a big one—he comes in the formidable, even grotesque, form of a 20-year-old, 475 lb Samoan American, born Salevaa Atisaneo, but known to every Japanese under his fighting name Konishiki.

In last month's Tokyo tournament, Konishiki came within one bout of lifting the championship, with only a last day defeat consigning him to second place with a record of 12 wins and three losses. It was a fine performance, without doubt, made the more remarkable by the fact that he has only been in the sport for two years (it normally takes even the best a minimum of five years to make the top division and only about 10 per cent ever get this far).

Still, there were reasons for thinking that the world of sumo might welcome the additional attention that Konishiki's successes brought. He had not even set a precedent; back in 1972, the recently retired and immensely popular Hawaiian, Takamiyama, who brought Komishiki to Japan, had actually won a tournament. There are, additionally, a handful of Chinese, Koreans, Brazilians and Micronesians currently performing; and, in any case, the sumo authorities have it in mind to spread the sport's word overseas—a demonstration is going to be held next summer in Madison Square Garden and Takamiyama has even met Mrs Thatcher.

But the actual reaction on the part of sumo's feudal hierarchy was nothing short of dismay, giving way rapidly to an outburst of chauvinism extraordinary even by the standards of Ronald Reagan's Olympics year. One legendary former grand champion, Taiho, described Konoshiki's successes as "a shame for Japan." Others called for the banning of all foreigners, with one critic commenting that internationalising sumo was like "mixing oil painting with Japanese brush painting."

A more sinister, but frequently proffered, suggestion was that in future Konishiki should be bribed to lose fights, though this was qualified with the observation that since he was not Japanese he might not know enough to keep quiet about it, which could cause even greater embarrassment. But even the hint that he could be fixed — the Japanese call it "injection" — is shocking enough, for sumo (unlike professional wrestling) is widely considered the purest of sports.

Konishiki (right) defeating Wakashimazu last month

In part this can be explained by a particular fear of Konishiki himself. A mountain of blubber, with thighs thicker than a fat man's waist, he is the heaviest man ever to participate in sumo and appears to be getting heavier. His demolition of the two grand champions he faced, Chiyonofuji and Takanosato, was especially devastating. Perhaps more serious, from a technical standpoint, was his defeat of the immensely skilful Wakashimazu, this year's hottest performer, who simply could not budge the massive Samoan with his best, and normally overwhelming, arm throws. This result, more than any other, prompted commentators to say that Konoshiki was simply "too strong" and thus possessed of an unfair advantage.

His mentor, Takamiyama, who eventually weighed the best part of 450 lbs, was never held in such awe. It took him 10 years to win his tournament and he never came very close to another. Indeed that he did so well over 20 years was something of a personal triumph because, it is freely admitted, he was deliberately never given the benefit of proper training in sumo fundamentals by his Japanese teachers.

An equally important factor is the nature of sumo society, which is both feudal and closed. Wrestlers, traditionally simple country boys with big feet, enter organised sumo at about fifteen and slowly progress upwards through a hierarchy that has changed little over the centuries. With each step up the ladder, they gain rank, privileges and money, they also learn their place in sumo society, to the point where, when they stop wrestling, many can only expect to enter in sumo management (Takamiyama, for all his popularity, even had to acquire Japanese citizenship to be assured of this). The inevitable consequence is a regime so conservative that the MCC committee in their most class-conscious days look like veritable communards in comparison. Konishiki, who has just joined the system and speaks of retiring to Hawaii after maybe 10 years, is not, to them, a comprehensible creature.

But, more broadly, it is also impossible to ignore the patent strain of Japanese thinking, in sport as elsewhere, that there is a right way to do something and a wrong way and that form may matter more than substance. This shows up even in Japanese baseball—an imported sport after all. Those Americans who have done well here attribute their success to their ability to adapt to the Japanese way of doing things. They accept that they will be treated less favourably than Japanese players: they will not as a rule get any breaks from the umpires and they will not get hittable pitches if they are in the running, against a Japanese for the batting and home run titles.

The classic way to handle Komishiki is for sumo's stars to gird up their mawashi (loin cloths) and learn how to beat him. One option, successful so far, has been to step aside at his initial charge and assist him on his way out of the ring. But that, for a sumo champion, is not an honourable way of doing things. So if the wrestlers do not find a solution, it looks as though the sumo authorities might do the job for them. In which case Konishiki could perhaps take his case to GATT.

### Fashionable words

Even a greener can make mazuma on a gorilla, but don't grunge if you gumshoe with ginnals and land in the calaboose. Which is to say, using a variety of sources of English slang: Even novices can make money in a business success, but don't complain if you creep around with confidence tricksters and go to jail.

Funny stuff, slang. It is mostly oral, different from professional jargon and more fun. It whizzes in and out of every[illegible] so fast that profes[illegible] accurate sources, and the like, include barely a breath of slang in their professional dictionaries.

Slang is trendy fashion in talk: baubles, bangles and beads bedecking the couture dress of Queen's English as she is spoke; sequins on the rags and tatters of private conversation. We all use slang, self-consciously or not; discarding bits and pieces; picking up more, like magpies.

The City is full of slang, of course. People who share an interest or occupation, or live in the same district or community, or identify with the same culture, or class, or generation, usually develop their own slang. As with Cockney [illegible] so with [illegible] stereotyped than, say, Sloane, it is because Square Mile modes of speech have not been collected, codified and written down.

There have been dozens, probably hundreds of words for money, the root of all evil: "rhino" (1700); "mumper's brass" (1709); "ackers" (Service slang since the 1920s, from "aka," an Egyptian piastre). An ocean of financial language throws up "hoodle" (bribe) and "frog" (cheque returned to drawer—with a very different meaning in Australian slang).

Speech set in the amber of youth is dateable by words like "wizard" and "no way." Slang words are by definition out of date; and so are dictionaries of [illegible] and Unconventional English, first published in 1937. The eighth edition, published posthumously this year, has been completed and edited by Paul Beale, one of the private army of volunteer helpers who hold the water of slang in a sieve long enough to turn it into ink.

Five thousand new entries and the conflation of two volumes into one splendid one make a fine monument to 40 years of indispensible dottiness about and dedication to words, catch phrases, and slang.

Jonathon Green's card index files totter higher than he is ("a smidgen under six feet, I think [illegible] with butterfly nets. His Dictionary of Contemporary Slang, just published, makes a trio with his Dictionary of Contemporary Quotations and Famous Last Words: his Cynic's Lexicon, A Dictionary of Amoral Advice, includes references from Ambrose Bierce's famous Devil's Dictionary, which City readers might well like to ponder when it is published on October 18.

The Bierce definition of slang, too, is worth pondering: "The speech of one who utters with his tongue what he thinks with his ear, and feels the pride of a creator in accomplishing the feat of a parrot."

Contributors

## BUILDING SOCIETY RATES

| | Share a/cs % | Sub'pn shares % | Others % | |
|---|---|---|---|---|
| Abbey National | 7.75 | 8.75 | 9.28 | Seven-day account |
| | | | 9.76 | Higher interest acc. 90 days' notice or charge |
| | | | 6.50-9.05 | Cheque-Save |
| Aid to Thrift | 9.60 | — | — | Easy withdrawal, no penalty |
| Alliance | 7.75 | 8.75 | 9.30 | 7 days' notice. Imm. wdl. if balance £2,500+ Int. pd. ½-yrly, mthly incm optn if bal £1,000+ |
| | | | 9.50 | Bank Save. Bal. of £2,500. Current account |
| Anglia | 7.75 | 8.75 | 9.80 | 3-year bond. No notice, 3 months' penalty |
| | | | 9.80 | Capital share. No notice. 1 month's penalty |
| | | | 9.30 | 7 days' notice. No interest penalty |
| Barnsley | 7.75 | 9.50 | 9.65 | Special Inv. 9.85 2 years 9.65 mthly inc. |
| Birmingham and Bridgwater | 8.00 | 9.25 | 9.38 | 5 days' not. or 20 days' int. pen. for imm. wdl. |
| | | | 9.86 | 90 ds. shrs., 90 ds. nt. or 90 ds. pen. for im. wdl. |
| Bradford and Bingley | 7.75 | 8.75 | 9.50 | Premium Access. On demand, no penalty |
| | | | 9.75 | Extra Interest—1 mth.'s notice or 28-day pen. |
| | | | 9.55 | Extra Income—1 mth.'s notice or 28-day pen. |
| | | | 9.80 | High Income—3 mths.' notice or 90-day penalty |
| Britannia | 7.75 | 8.75 | 9.30 | 7 days' notice. 9.55 28 days' notice |
| Cardiff | 9.30 | 9.40 | 9.80 | 90 days' notice penalty if balance under £10,000 |
| Catholic | 8.00 | 9.00 | 10.00 | Jubilee bond. Min. £1,000. Monthly income |
| Century (Edinburgh) | 8.85 | — | 9.30 | permanent 2/3 years or variable |
| Chelsea | 7.75 | 8.75 | 10.25 | 3 years, immediate withdrawal interest penalty |
| Cheltenham & Gloucester | — | 8.75 | — | Gold a/c under £1,000 7.75. Over £1,000 9.57. Monthly Interest 10.00 if added to account |
| Citizens Regency | 8.00 | — | 9.20 | 7 days. 9.00 monthly income |
| City of London (The) | 8.00 | 8.75 | 9.85 | 3 months' notice—no penalty—monthly income |
| | | | 9.55 | 21 days' not. im. access for amnts. over £10,000 |
| Coventry | 7.75 | 9.00 | 9.60 | Money Maker £20,000+, 9.35 £5,000+, 8.75 £1,000+. Instant acc., no pen. Mnthly. inc. opt. 10.00 2 yr. bond £1,000+, close 90 days' notice pen., mthly. inc. opt., G'teed 2.25 diff. |
| Derbyshire | 7.75 | 9.00 | 9.80 | 90 ds. not. Triple Gold 9.00, 9.50, 9.60 28 ds. not. |
| Gateway | 7.75 | 8.75 | 9.40 | Gold Star £1,000+. No notice. No penalties. Monthly int. £5,000+ 9.82 if added to account |
| Greenwich | 7.75 | — | 10.00 | 90 day a/c (7 day a/c 9.25-9.75 subject to bal.) |
| Guardian | 8.00 | — | 10.25 | 6 months, 10.00 3 months, £1,000 minimum |
| Halifax | 7.75 | 8.75 | 9.30 | 7-day Xtra, 7 days' notice, no penalty |
| | | | 9.55 | 28-day Xtra, 28 days' notice, no penalty |
| | | | 9.80 | 90-day Xtra, 90 days' notice, no penalty |
| Heart of England | 7.75 | 9.00 | 9.80 | 90-day notice, 9.30 5-day notice |
| Hemel Hempstead | 7.75 | 9.25 | 10.00 | 2 years, 9.65 28 days, 9.85 3 years |
| Hendon | 8.90 | — | 9.50 | 7 day acc. 9.75 1 month, 10.00 3 months |
| Lambeth | 7.90 | 9.00 | 9.60 | 7-d. a/c, 10.25 Magnum a/c 6 wks. & loss of int. |
| Leamington Spa | 7.85 | — | 9.00 | Spa Income, 9.25 Lion Sh., 9.75 1 yr. term var. int., 9.00-10.00 Spa Plus, bonus of 50%, 75% + 1% after each successive complete yr. acc. is open. No notice or interest pen. for early close |
| Leeds and Holbeck | 7.75 | 9.50 | 9.55 | Monthly int., 9.80 28 days' not. or pen. Neither if £10,000 still in a/c |
| Leeds Permanent | 7.75 | 8.75 | 9.25 | Liquid Gold a/c no not. no pn. HRAS 3 m. not. |
| Leicester | 7.75 | 8.75 | 9.30 | £500+ im acc no pen 10.25 comp 3 yrs £2,000+ |
| London Permanent | 8.25 | — | 10.25 | 3 yr tm. Imm wdl 90 days pen. £10,000+ no pen |
| Midshires | 7.75 | 9.25 | 10.00 | 5-year term, 90 d. notice & pen. (3, 4 yr. optn.) |
| Mornington | 9.10 | 7.50 | — | Prompt withdrawals—no penalty |
| National Counties | †8.05 | 9.05 | 10.15 | 90 days' notice, no penalty. † £1,000+ |
| National and Provincial | 7.75 | 8.75 | 9.80 | 90 days' notice/pen. unless bal. stays £10,000+ |
| | | | 9.55 | 28 days' not., 9.30 7 days' not./penalty as above |
| Nationwide | 7.75 | 8.75 | 9.80 | Capital bonds, 3 yrs., 90 days' notice/penalty |
| | | | 9.80 | Bonus-90, 90 days' notice/penalty |
| | | | 9.55 | Super bonus, 28 days' notice/penalty |
| | | | 9.30 | Bonus-7, 7 days' notice/penalty |
| Newcastle | 7.75 | 9.00 | 9.25 | 90 days' notice, 9.00 28 days' notice |
| | | | 8.75 | 7 days' notice. On demand with penalty |
| | | | 10.00 | 2 year term access with penalty |
| Northern Rock | 7.75 | 9.00 | 9.35 | Moneyspinner plus £500 or over |
| | | | 9.60 | (£5,000-£19,999); 9.85 (£20,000 and over) 7 days' notice withdrawal, no penalty |
| Norwich | 8.00 | 9.25 | 9.50 | New City Acc. Immed. withdrawals no penalty |
| Paddington | 8.25 | 9.75 | 10.00 | 1 mth.'s not. or 1 mth.'s int. loss on sums wdn. |
| Peckham | 8.50 | — | 9.75 | imm. withdwl. if over £2,000. Monthly income |
| Portman | 7.75 | 9.25 | 9.50 | No notice, 9.75 2 months' notice |
| Portsmouth | 8.05 | 9.55 | 10.20 | 3 years, 10.00 6 months, 9.75 1 month |
| Property Owners | 8.25 | 9.50 | 9.50 | 7 dy.s, 9.65 28 dys., 9.85 6 mths. Effective Oct. 1 |
| Scarborough | 7.75 | 9.00 | 9.75 | 2-year limited share, 1.75 guaranteed differentl. |
| Skipton | 7.75 | 9.00 | 9.85 | Sovereign £10,000+, 9.60 £500-£9,999. Monthly inc. 9.60 min. inv. £2,500. Inst. access no pen. |
| Stroud | 7.75 | 9.00 | 9.35 | 3 months, 9.10 £10,000+, no penalty, no notice |
| Sussex County | 7.75 | 9.25 | 7.75 | up to £2,499, 8.00 £2,500+, 1 mth.'s notice 9.00 |
| Sussex Mutual | 8.25 | 9.80 | 9.50 | Over £5,000 imm. wdl. Under £5,000 7 days' not. |
| Thrift | 8.40 | — | 9.40 | 3-year term. Other accounts available |
| Town and Country | 7.75 | 8.75 | 10.00 | 90 d. not. or pen. No not./pen if bal. £10,000+ |
| | | | 9.50 | 7 d. not. or pen. No not./pen. if bal. £10,000+ |
| Wessex | 9.60 | — | — | — |
| Woolwich | 7.75 | 8.75 | 8.75 | 7-day account, 7 days' notice |

# UK COMPANY NEWS

## Raybeck loss a 'source of concern'

Mr Ben Raven, chairman of Raybeck, says that the company's latest results showing a £2.61m loss are "extremely disappointing and are a source of concern to the board."

Raybeck's ladies' retail, Lord John and Carnegie divisions all experienced serious difficulties during the 26-week period to July 28, which, Mr Raven adds, "have been exacerbated by weaknesses in management control systems."

He points out that the board has taken "vigorous action" to remedy the situation with, in particular, the appointment of new chief executives from within the group for both the ladies' and men's retail companies.

"Each will make it his first priority to ensure that in future, controls over buying and stock levels are strictly enforced," says Mr Raven.

He adds that at Carnegie a substantial programme of rationalisation and retrenchment has been implemented which has resulted in a number of redundancies.

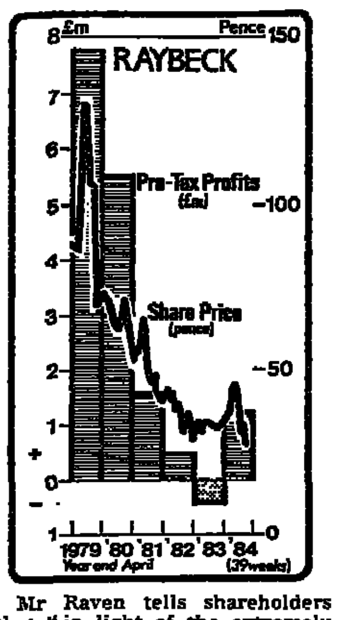
Elsewhere within the group, however, Berkertex retail performed well and the manufacturing companies, which include the recently acquired Alfred Young, were profitable with the exception of Carnegie.

There are strictly no comparable figures to set against the half year loss since Raybeck has changed its financial year end. In the last reported financial period covering the 39 weeks to January 28 1984 the company achieved a profit of £1.21m pre-tax on turnover of £59.88m.

The loss for the period under review was incurred on turnover of £41.06m.

Raybeck's profits approached the £8 mark in 1978-79 but over the following three years these were reduced to just over £0.5m by 1982-83, and losses of £457,000 were suffered in the 12 months to end-April 1983.

In 1978 the company acquired Bournes, an Oxford Street department store, but due to persistant losses it was forced to dispose of this operation in 1983.




Mr Raven tells shareholders that "in light of the extremely poor results for the first half of the year, the board is taking a more cautious view of the expected outcome for the year and has decided not to declare an interim dividend in respect of the ordinary shares."

Preference dividends have been paid, which with advance corporation tax payable on the dividend, resulted in an £80,000 tax charge on Raybeck's losses. This left a net deficit of £2.69m.

Raybeck incurred extra-ordinary changes amounting to £157,000 (£1.47m for 39 weeks) in the period under review, but in accordance with its normal practice these items will not be taken into account until the year end.

The second half of the year, due to seasonal influences, is the better trading period, but Mr Raven says that it is too early to predict how quickly the action taken will return the retail companies to profitability.

He adds that while the board is confident that there will be no recurrence of those losses incurred in the retail businesses, the results of the group for the year as a whole remain uncertain."

See Lex

## Removal of LAPR hits Hambro Life sales

THE WITHDRAWAL of Life Assurance Premium Relief (LAPR) by the Chancellor of the Exchequer in his March Budget has significantly cut back on sales of life assurance products, states Hambro Life Assurance, Britain's leading linked-life company.

The company's interim report states that life assurance sales showed a considerable fall in the third quarter of 1984, compared with the corresponding period last year. Although there was a steady rise in sales of pension products, which still offer considerable tax concessions, it was not sufficient to offset the drop in life sales.

Hambro Life is not optimistic about sales in the current fourth quarter. It expects that the 12 per cent growth in new business in the first half of this year, which all came in the first quarter ahead of the removal of LAPR, will be lost in the second half, leaving the overall new business level for 1984 similar to that of 1983.

Despite this, the company anticipates a significant increase in its earnings for the year to bear the fruits of buoyant new business over the past few years, and has lifted its interim dividend by 15 per cent from 4.7p to 5.4p. The market is forecasting at least a similar rise in the final dividend with earnings at least 15 per cent up to over £31m.

The market, once it realised the significance of the impact of the loss of LAPR on Hambro's future new business, marked the share price down, finishing 10p lower yesterday at 405p, yielding 6.3 per cent gross on an anticipated 15 per cent dividend rise. Analysts will be looking for evidence from the company that new business growth next year will resume its recent upward trend.

## Allied Plant £17,738 in loss midway

The benefits of restructuring at Allied Plant Group continued into the first quarter of 1984 to produce a "satisfactory" pre-tax profit, says Mr Martyn Rose, the chairman of this plant hirer, fork trucks distributor and joinery maker.

However, at the halfway stage to June 30 the group has recorded a "very disappointing" net loss of £17,738, against £57,580 before. Minority debits this time added £9,069. Loss per 5p share was shown as 0.25p (0.61p).

Mr Rose says the loss was caused by the inability of the group's operating companies in the second quarter to avoid the increasing "ripple" effect of the miners' strike, given that the main areas of activity are service related and dependent on the level of trading activity within the Yorkshire region.

This was further compounded, particularly in the Humberside forklift depots, by the slowdown in activity leading to the dock strike.

However, given the opportunity to trade normally, all group companies are now in better shape than for some considerable time. The Humberside depots have returned to profitability in the third quarter and the remaining operating companies have continued their profitable advance.

Mid-year turnover was up from £1.81m to £2.67m.

## Dares ends U.S. involvement

BY ALEXANDER NICOLL

Dares Estates, a property investment and development group, has ended its involvement in the U.S., where it had encountered difficulties in finding occupants for its Californian developments.

Dares has sold its U.S. subsidiary, Dares Realty, to Laurel Company, for U.S.$5m (£4.1m). Before being sold, Dares Realty itself sold its main investment, an office building in San Diego, to Incap Corporation for $16.9m (£13.7m).

Payments under both transactions are stepped over seven years, reflecting the time needed for rents to accrue from the office building. Dares will be paid $625,000 on completion, $1.6m after three years and $2.5m after seven years.

Mr Richard Herbert-Smith, Dares managing director, said the sale of the building had been marginally profitable, provided that rental income from the building rose substantially. Dares Realty has given a three-year guarantee to make up the shortfall of rents from a given target, and also has other obligations related to the building.

The sale of Dares Realty was profitable for Dares as a whole, Mr Herbert-Smith said, although he noted the deferment of the payments.

Dares Realty suffered a loss, adjusted for UK accounting purposes, of $619,508 in the six months to June 30 1984.

Earlier this week, Dares said that Mr Herbert-Smith and Mr Peter Jackson, the chairman, had increased their combined holding in the company to 29.9 per cent by buying a 12.9 per cent stake from Hampton Trust at 27.1p per share. Yesterday, the share price was unchanged at 22p.

## TSI issue raising £1.47m

Television Services International which is quoted on the USM is raising £1.47m by way of an underwritten one-for-three issuse of 1.5m shares at 105p per share.

The company has spent more than £1m in the last year on acquisitions and capital exepnditure to expand existing facilities and is raising the money to bring down borrowings which had reached about 80 per cent of shareholders' funds.

TSI joined the USM in February 1983 and has expanded it s range of services and deevloped more advanced technical facilities from film production, post-production video editing and dubbing to retail video distribution.

The directors forecast a pre-tax profit of not less than £450,000 for the year to December compared with £340,000 for the 14 months to December 1983. They intend to pay a final dividend on the enlarged capital of 0.2p making a total of 0.3p for the year on existing shares.

The company has concentrated on straight facilities work, to date, making films mainly for companies' internal use. They are hoping to increase the amount of programme making in the future and may move into the making of commercials.

The TSI board proposes to oensoliadte existing shares of 10p into ordinary shares of 50p each. The directors will represent not less than 42.3 per cent of the enlarged calptal after the issue.

An EGM will be held on October 26. The issue has been underwritten by Hill Samuel and the brokers are Phillips and Drew.

## Telemetrix share sale

THE directors and founders of Telemetrix, a computer graphic company, have reduced their combined stakes in the business by 1.87m shares.

The shares were sold on Monday for 301.75p each. The disposals mean that the chairman, Mr Roy Cole, and his board have reduced their direct and indirect interests in the company by 1.536m shares, or from 34.5 per cent of the equity to 28.8 per cent.

The shares were not sold for the benefit of the company, as was incorrectly reported

Telemetrix last month reported pre-tax profits of 2.5m for the 53 weeks to July 6, which fell short of the £3.2m forecast when the company came to the stock market last year.

In his annual report, Mr Cole says that the company has sufficient working capital for its present requirements. "The current year is expected to be another year of substantial growth in the prime sector of graphics displays and in the other related area of information technology."

## Cope Allman compensation

Two directors of Cope Allman International, the packaging, engineering and fruit machines group, were paid a total of £209,000 as compensation for the termination of their contracts, according to the company's annual report.

They were Mr Louis Manson, who was replaced as chairman a year ago by Hawley Group's Mr Michael Ashcroft, and Dr Bill Pilkington, who resigned last December.

## Norman Hay lifts dividend

Pre-tax profits of Norman Hay rose by just £7,000 to £253,000 in the first half of 1984 but the net interim dividend is being lifted from 1.25p to 1.4375p per 10p share.

Turnover edged ahead to £2.71m (£2.68m). After tax of £116,000 (£127,000) earnings amounted to 3.4p (3p) per share. The group is engaged in electroplating and anodising.

## James Halstead meets forecast

IN SPITE of losses of over £0.5m from its travel businesses, James Halstead Group made pre-tax profits of £2.31m in the year to June 30, 1984, which matched the forecast made last June when the company was fighting off the bid from British Syphon Industries.

In the previous 12 months, profits of £2.39m were achieved. The group's main trading activities of flooring and leisure products achieved a record £2.86m, against £2.6m last year, but losses from travel operations increased from £212,102 to £554,403. Group turnover was £3.67m higher at £31.53m.

The board says that the travel subsidiary, Wigwam International Holidays, met fierce competition in a shrinking market. Although steps were taken to cut losses, a further trading deficit has been incurred for the last year to October 31, 1984.

Having, of necessity allowed the holiday season to run its full course, Halstead started to close the company down at the end of the season, and this closure is proceeding satisfactorily. The closure costs have been included in the accounts and form the main part of extraordinary items of £769,820 (£347,148) which also comprise reorganisation costs incurred by other group companies.

The final trading loss of approximately £175,000 will be shown as a non-recurring item in the group's next half-year results (the holiday company's financial year runs to October 31), in accordance with established accounting policies.

The board is confident about the future, and is now going to concentrate on the development and expansion of the core businesses. Given reasonable trading conditions, group results for the current year are expected to be satisfactory.

As forecast, there is a final dividend of 2.25p net making a total of 3.5p (3p) per 10p share.

Taxable profits were struck before an allocation of £115,384 (£119,261) to the employee profit sharing scheme. Tax took £785,312 (£1.01m) and after extraordinary items, the attributable balance was £636,784 (£905,477).

James Halstead, the floor covering subsidiary, enjoyed a record year with significant volume gains. The contract and export divisions continued to grow reflecting the development of new specialist products.

Belstaff International recovered from its poor first half after some management changes, resulting in a profit level close to last year. New products have been developed and the outlook is encouraging

### ● comment

James Halstead's virtually unchanged taxable profits were bang in line with the forecast it made during the stormy British Syphon bid defence. The axeing of Wigwam holidays comes as a welcome relief after a long string of losses, and the experience might have done something to wake up the group's future diversification plans: henceforth, service businesses with a seasonal slant are out. Profits from the core flooring and leisure operations rose by just 10 per cent, entirely on the back of increased flooring volumes, with a static contribution from Belstaff. Margins were maintained in the flooring business, despite the lack of price increases in a year when costs of Halstead's petrochemically - derived raw materials were driven up by the dollar's strength. The group's present cost structure looks unlikely to be able to weather similar raw material price increases this time without some erosion of margins. Nevertheless, analysts are looking fo ra 20 per cent advance in current year taxable profits to £2.75m, putting the shares on a prospective multiple of 5.5 at 71p, assuming at 35 per cent tax rate. Unglamorous stuff.

## John Mowlem drops by £0.7m but holds interim

PRE-TAX profits of John Mowlem, construction, property development and mechanical engineering group, fell by £0.7m to £3.4m in the six months to June 30 and the board warns that indications are that it will be more difficult to make progress in profit terms for the full year 1984.

Much of the work on which the company is presently engaged has yet to reach a stage where it would be prudent to take profits the board states. The outcome for the full year is unusually dependent upon the timing of claim settlements and property sales.

While stated earnings per 25p share dropped from 11.9p to 9p, the interim dividend is maintained at 2.2p net—last year's total was 11.2p on £10.1m taxable profits.

The group's international division has made significant further progress in profits from the position a year ago.

McTay, with a spread of mechanical engineering work at home and overseas, together with shipbuilding, building and civil engineering, has performed well.

In Mowlem Technology, Buehler also performed well, while sales for Sollest and ELE continue to be difficult and slow to win in a market dependent on general international construction activity.

Mowlem's UK construction companies are experiencing a long period of very competitive pricing with a consequent effect on margins.

Mr E. P. Beck, the chairman of John Mowlem

Two civil engineering projects have failed to meet the group's objectives for them, but in both cases Mowlem says it has strong contractual claims which it expects to realise in due course.

During the last six months the group has been awarded a number of major contracts, notably the Dockland Light Railway in a joint venture with GEC and a major management contract of more than £30m in the City of London at Beaver House.

At Welham Green, where the group owns 27 acres of land with outline planning permission, Mowlem is at the stage of detailed negotiations with potential purchasers or tenants for significant parts of that site.

### ● comment

Given that Mowlem's AGM forecast oozed optimism, the 10p fall in the company's share price to 194p can be interpreted as sheer disappointment with these first half results. The fly in the ointment was two civil engineering contracts—both sizeable and located in the UK—which have fallen short of expectations. The company has not quantified the level of provisions made but a fair bet would be just over £1m seeing that the market was expecting group profits of about £4.5m and that other activities are not out of line. Basically, the contracting side of the business is still tricky, with the overseas division having to wait another year before it can start taking profits on the important Falklands contract. Elsewhere, the technology activities are making budeted progress, thanks largely to the new Buehler acquisitions in the U.S. Its activities in the testing instrumentation field, along with Sollest and ELE should provide a growing buffer against the fickle contracting interests. For the second half much depends on the timing of property sales. On the basis of maintained profits and a tax charge of 36 per cent, the prospective p/e is 7.6. If the company pays 11.5p, the yield is over 8 per cent—attractive for the sector.

## Changes at J. Matthey Bankers

BY RAY MAUGHAN

THE BANK OF ENGLAND is now working to return to the private sector Johnson Matthey Bankers, the banking, bullion dealing and commodity broking business rescued two weeks ago. With this aim in mind, the Bank of England yesterday made three new appointments to the JMB board and accepted the resignations of three existing directors.

At the same time, the group of institutional investors in Johnson Matthey PLC, the former parent of JMB, are still scrutinising the events urrounding Charter Consoliatedd's involvement in the proposed refinancing of the holding company at an effective price of 56p per share.

One leading institution, Prudential Assurance, will disclose shortly that its purchases of Johnson Matthey shares about a week ago have increased its stake to over 5 per cent of the equity. The purchase price is thought to be about 100p per share against the close last night of 108p, down 2p.

Mr Roy Wheeler, Mr P. J. C. Firth and Mr Ian Fraser left the JMB board yesterday and have been replaced by Mr Patrick Brenan, Mr Martin Harper and Mr Georg Preston. Mr Brenan was formerly an executive director and group financial controller of Hambros Bank: Mr Harper, was until recently, managing director of Charterhouse Japhet, the accepting house, and Mr Preston had previously taken board responsibility for Standard Chartered's bullion dealing business, Mocatta & Goldsmid. Mr Peter Smith retains his responsibility for JMB's profitable dealing division.

The re-constituted board is expected to be enlarged in due course. A new chairman is to be recruited since Mr Rodney Gilpin has been seconded from the Bank of England only on an acting basis.

The Bank of England said that these changes "reflect the intention that the various businesses of JMB should be continued and their strength developed, to the point at which there can be a sale on a going concern basis into appropriate private sector hands."

## Maxwell acquires 7.5% stake in Empire Stores

BY RAY MAUGHAN

THE LIST of major shareholders in Empire Stores (Bradford) changed yet again yesterday as Mr Robert Maxwell announced that his scientific publishing master company, Pergamon Press, had acquired a 7½ per cent holding in the catalogue mail order group, taking his holding up to 2.9m shares.

The stake has been acquired from Sears Holdings, the Selfridges and British Shoe Corporation retailer, which at one time had been seeking an entry into UK mail order by putting together a three-way merger including Grattan.

Mr Maxwell, the owner of Mirror Group Newspapers, said that Sears' stake had been picked up as an investment and emphasised that he would not be seeking a place on the board. He foresaw advantages for British Printing and Controlled by Pergamon, whereby Empire would be asked to put some of its catalogue printing orders into BPCC on an arm's length basis. He also felt that the Mirror would be able to advise on ways to increase the mail order business.

Sears had hoped to take a 30 per cent stake in Empire through Newco, a company formed expressly for the purpose, but in the face of Empire's steady opposition, Newco was never born. Sears has now sold its stake because as Mr Geoffrey Maitland Smith, the chief executive explained, "it was a sizeable sum to have tied up in a business we were clearly not going to get into any deeper."

The movements in Empire's register were sparked off over two years ago by Great Universal Stores, which owns British Mail Order Corporation, when it made a £37m agreed bid and took a 29.9 per cent holding in Empire only to encounter Monopolies Commission resistance.

Complying with the Department of Trade's insistence that the holding be substantially reduced, GUS sold a 13.5 per cent interest to Vendex International, the major Netherlands retailer. Its chairman, Mr A. C. R. Dreesman is to be invited to join the Empire board.

Empire shares dropped 2p yesterday to 90p.

## Improvement expected at Peerless

An improvement in first half profit for Peerless was forecast by Mr W. S. Jordan, chairman, at the annual meeting.

He said that the imposition of VAT on building alterations, the reduction in housing improvement grants and the current industrial situation were beginning to affect some of the group's consumer related companies after after a reasonable start to financial year.

However, he said that results to be announced at the interim stage should show an improvement over those for the same period last year.

## Reliance Industrial

Mr R. E. W. Newman, the chairman of Reliance Industrial Holdings, told the AGM that some further reorganisation was planned and the first-half results would include reorganisation costs. However, provided there were reasonable trading conditions, he was looking for a significant improvement in the second half.

# SUMMARY OF THE WEEK'S COMPANY NEWS

## Take-over bids and deals

Unilever increased the stakes in the auction for Brooke Bond this week and original suitor Tate and Lyle was the loser. Unilever raised its offer from 114p per share to 125p per share and then, through brokers Rowe and Pitman, launched a £166m market buying spree of Brooke Bond shares which netted almost 40 per cent of the latter's quarry. With stock originally held and acceptances already received, nilever was able to lay claim to 57.1 per cent of its quarry. As a result the Brooke Bond board had little choice but to recommend the offer.

An intriguing sequence of events came to light at troubled Birmingham-based construction group Espley Trust. Chairman Mr Ronald Aitken suspended former chairman Ron Shuck from his executive duties pending completion of investigations relating to certain Scottish properties acquired in January this year. Mr Shuck replied with a firm 35p per share offer for the 72.8 per cent of Espley that he does not already own. Mr Aitken and his colleagues advised shareholders to take no action for the time being and stated that Espley's programme of investment property disposals, started by Mr Shuck, is continuing.

| Company bid for | Value of bid per share** | Market price** | Price before bid | Value of bid £m's** | Bidder |
|---|---|---|---|---|---|
| Prices in pence unless otherwise indicated. | | | | | |
| Advance Services | 118 | 111 | 91 | 6.65 | BET |
| Bibby (J.) | 300§§ | 295 | 290 | 271.27 | Barlow Rand |
| Bridgewater Ests | 326§§§ | 325 | 280 | 17.63 | Peel Holdings |
| Brooke Bond | 125* | 124 | 110 | 389.26 | Unilever |
| Chubb | 271§§ | 274 | 197 | 164.55 | Racal |
| Carrys | 387§§§ | 414 | 311 | 180.49 | Dixons |
| East Lancs Paper | 75§ | 75 | 60 | 4.09 | British Syphon |
| Fidelity | 125*§ | 125 | 105 | 9.53 | Caparo Inds |
| Francis Inds | 157§§ §§ | 150 | 134 | 10.13 | Suter |
| Glanfield Lawrce | 49§*§ | 54 | 49 | 3.60 | Gregory Secs |
| Hoskins & Horton | 221§ §§ | 227 | 188 | 4.27 | Scottish Heritable |
| ICL | 94 | 88 | 61 | 422.70 | Std Tel & Cables |
| Johnsn Grp Clnrs | 410* | 440 | 362 | 44.41 | Nottingham Mftg |
| Lennons Group¶ | 63 | 62 | 46 | 24.47 | Dee Corp |
| Moben | 15¼ | 14½ | 13 | 8.59 | Kean & Scott |
| Munford & White | 168 | 168 | 130 | 5.42 | Tunstall |
| Prem Cons Oilfds | 62½ | 65½ | 53 | 84.57 | Carless Capel & Leonard |
| Priest Marians | 450*§ | 525 | 575 | 0.37 | Mr Simon Fussell |
| Romal Tea | £10*§ | 975 | 530 | 1.95 | Williamson |
| Strikes Rests | 95 | 93 | 88 | 5.84 | Garfunkel Rests |

* All cash offer. † Cash alternative. ‡ Partial bid. § For capital not already held. ¶ Unconditional. ** Based on October 12 1984.

## PRELIMINARY RESULTS

| Company | Year to | Pre-tax profit (£000) | | Earnings* per share (p) | | Dividends* per share (p) | |
|---|---|---|---|---|---|---|---|
| Burndene Inv | June | 391 | (86) | 3.7 | (1.1) | 0.35 | (—) |
| CPU Computers | June | 1,920 | (1,430) | 6.3 | (4.4) | 1.4 | (0.35) |
| Druck Hldgs | June | 1,360 | (1,040) | — | (—) | 3.0 | (2.6) |
| Eng Prop Corp | June | 9,500 | (3,700) | 9.3 | (3.5) | 12.9 | (7.57) |
| Ferguson, James | Mar | 180L | (345)L | — | (—) | — | (—) |
| Gable House Prop | June | 671 | (310) | 8.6 | (5.2) | 2.3 | (—) |
| Gibbons, Stanley | June | 597 | (524) | 11.1 | (—) | — | (—) |
| Glaxo Hldgs | June | 256,000 | (186,000) | 45.8 | (29.9) | 13.0 | (9.0) |
| Grosvenor Group | June | 1,060 | (573) | — | (—) | 5.75 | (5.25) |
| Lawtex | June | 184 | (43) | — | (—) | 1.5 | (—) |
| Maunders, John | June | 1,620 | (970) | 17.1 | (16.7) | 4.0 | (0.93) |
| Pearce, C. H. | May | 2,940 | (2,534) | — | (—) | — | (—) |
| Photo-Me Int'l | Apr | 4,510 | (3,350) | — | (—) | 9.45 | (7.88) |
| Sand Murry & Eld | June | 107 | (20) | 4.3 | (0.1) | 3.0 | (2.0) |
| Scot Met Prop | Aug | 6,770 | (6,510) | 4.1 | (4.5) | 3.75 | (3.5) |
| Telemetrix | July | 2,500 | (1,600) | — | (—) | — | (—) |
| Thorpe, F. W. | June | 1,040 | (920) | 19.3 | (16.3) | 3.45 | (3.0) |
| Wst & Cntry Prop | Apr | 876 | (709) | 22.5 | (18.7) | 4.75 | (3.75) |
| Wiggins Group | Mar | 1,590L | (187)L | — | (—) | 1.25 | (3.4) |
| Worthington, A.H. | Mar | 258L | (254)L | — | (—) | — | (—) |

## Rights Issues

Baynes, Charles—To raise £1.8m through a one for two rights issue.

Cambrian & General Securities—To raise £19.8m through a rights issue. Basis of eight ordinary shares and one capital share for every 20 ordinary shares held and two capital shares for 11 capital shares held, at a price of 100p per share.

Sovereign Oil & Gas—To raise £18m through a one for four rights issue at 205p.

Tops Estates—Rights issue of three new Tops shares at 70p and £2 ...

## INTERIM STATEMENTS

| Company | Half-year to | Pre-tax profit (£000) | | Interim dividends* per share (p) | |
|---|---|---|---|---|---|
| Advance Serv | June | 2,460 | (2,200) | 2.0 | (1.1) |
| Amari | June | 3,040 | (1,470) | 1.0 | (—) |
| Arcolectric Hldgs | June | 184 | (72)L | 0.25 | (—) |
| Chepstow Race | June | 11 | (—) | — | (—) |
| Bilton, Percy | June | 5,010 | (4,740) | 3.9 | (3.7) |
| Boustead | June | 20 | (11) | — | (0.5) |
| Bowthorpe Hldgs | June | 9,910 | (6,850) | 2.07 | (1.84) |
| Bray Technology | June | 342 | (375) | 1.0 | (1.0) |
| British Dredging | July | 607 | (322) | 1.0 | (1.0) |
| Bruntons (Muss) | June | 375 | (804) | 1.5 | (4.25) |
| Campari Int'l | May | 56 | (53) | 0.5 | (0.5) |
| Cartwright, R. | June | 523 | (591) | 1.5 | (1.5) |
| Christies Int'l | June | 7,560 | (4,130) | 3.0 | (2.5) |
| Comcap | June | 1,050 | (706) | 0.4 | (—) |
| Debenhams | Aug | 9,100 | (5,170) | 2.5 | (2.2) |
| Downiebrae Hldgs | June | 61 | (7)L | — | (—) |
| Elbar Ind | June | 326L | (178)L | — | (—) |
| Emess Lighting | June | 335 | (210) | 2.0 | (—) |
| Empire Stores | Aug | 771 | (666)L | 0.5 | (—) |
| Evered Hldgs | June | 1,090 | (352) | 0.7 | (—) |
| Fisherman's Pet | June | 1 | (2)L | — | (—) |
| Farnell Elect | July | 8,750 | (6,980) | 0.8 | (0.6) |
| Fogarty | June | 124L | (616) | 1.6 | (1.6) |
| Fother & Harv | June | 1,260 | (806) | 2.75 | (2.75) |
| Harris Queensway | June | 12,030 | (9,340) | 1.26 | (1.13) |
| Harrison, T. C. | June | 1,240 | (1,513) | 0.62 | (0.62) |
| Higgs & Hill | June | 3,230 | (2,830) | 4.5 | (4.0) |
| House of Lerose | June | 225 | (561) | 3.0 | (3.0) |
| Hunter | June | 202 | (102) | — | (—) |
| Ibstock Johnsen | June | 4,550 | (1,390) | 2.5 | (1.75) |
| Jerome, S. | June | 131 | (152)L | 0.69 | (0.69) |
| Johnston Group | June | 1,590 | (1,630) | — | (—) |
| Lee Cooper | June | 5,270 | (5,170) | 1.4 | (1.4) |
| Lon & Cont Adv | June | 435 | (269) | — | (—) |
| Lyle Shipping | June | 6,090L | (3,130) | — | (2.0) |
| Massey Ferguson | July | 8,990 | (4,260) | — | (—) |
| Midland Marts | June | 285 | (201) | 1.25 | (1.25) |

| Company | Half-year to | Pre-tax profit (£000) | | Interim dividends* per share (p) | |
|---|---|---|---|---|---|
| P. of Wales Htls | July | 24 | (16)L | 0.5 | (0.5) |
| President Ent | June | 236 | (—) | — | (—) |
| Prestwich Parker | June | 261 | (6)L | 0.7 | (—) |
| Provincial Ins | June | 262 | (6,140) | 10.0 | (8.5) |
| Roberts, Adlard | June | 475 | (513) | 2.0 | (2.0) |
| Ruberoids | June | 2,330 | (1,848) | 2.2 | (2.0) |
| Sears Hldgs | July | 62,000 | (60,300) | 0.8 | (0.7) |
| Senior Eng'g | June | 1,030 | (1,280) | 0.75 | (0.75) |
| Sov Oil & Gas | June | 7,660 | (59) | — | (—) |
| Spear, J. W. | June | 5 | (126)L | — | (—) |
| Spirax Sarco | June | 5,530 | (3,900) | 2.0 | (1.7) |
| Steel Bros | June | 5,510 | (5,610) | 4.0 | (4.0) |
| Steel Burrill | June | 884 | (470) | 1.5 | (—) |
| TDS Circuits | Aug | 1,260 | (533) | 2.0 | (—) |
| Telephone Rentals | June | 6,760 | (6,370) | 2.25 | (2.0) |
| Time Products | July | 75 | (31) | 0.25 | (—) |
| TKM | June | 2,370 | (3,610) | — | (—) |
| Ward White | July | 3,180 | (2,150) | 1.89 | (1.65) |
| Weber Holdings | June | 130 | (104) | — | (—) |
| Welpac | July | 148 | (112) | — | (—) |
| Western Motor | June | 53L | (440)L | — | (—) |
| Westwood Dawes | June | 113L | (29) | — | (—) |

(Figures in parentheses are for the corresponding period.)
* Dividends are shown net pence per share except where otherwise indicated. L Loss.

## Offers for sale, placings and introductions

Blockleys—Placing of 476,734 shares at 100p per share. Existing shareholders are being offered one new share for every eleven held.

Telemetrix—To raise £5.6m through a placing of 10 per cent of equity.

CalFed—Full listing on the London Stock Exchange.

Gable House Properties—To raise £1.5m through a placing of 10½ per cent convertible unsecured loan stock 1995-98.

Tops Estates—To raise £3m through a placing of shares and a stock.

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# UK COMPANIES

## RESULTS DUE NEXT WEEK

Bejam should have a warm reception in the City when it presents its results for the year to the end of June on Wednesday, the day after dealings start in Iceland Frozen Foods. Bejam is expected to show a strong advance on 1982-83 when competition from cheap fresh vegetables held the group to £12m pre-tax profit. The group should also be seeing the benefits of major refurbishments, designed to make the stores more attractive to customers. Competition from the supermarkets is intense, but Bejam is fighting back by introducing new premium product ranges while maintaining its traditional emphasis on low prices in its marketing. The City is expecting to see about £16m pre-tax.

Paterson Zochonis's local manufacturing base in Nigeria, which produced almost 62 per cent of group turnover in 1982-83, means it has been less hit by import controls than competitors relying on imports of finished goods. The Lagos Government's request to PZ to step up soap and detergent output fortunately coincided with the opening of a new plant, and it looks as if hard currency restrictions have eased slightly. After a moderate profits increase at the interim stage, the City is expecting PZ to come out on Tuesday with a rise in taxable profits from £26.87m to around £28.5m for the year to May. Cussons in the UK is still suffering from the abandonment of its Nigeria export trade, but the consolidation of its two factories has reduced costs and should have started to bring losses down. The total dividend is expected to be rounded up from 4.75p to 5p.

Wednesday sees interim figures to end-July from engineer Dupont, which at this stage last year re-emerged from loss to pre-tax profits of £1.05m.

It is early days yet in the planned great revival of British Home Stores. The City is finding it difficult to forecast the group's interim results for the period to the end of September since BHS is currently bearing the costs of refurbishments whose benefits will not come before 1985-86.

Capital spending in the current year is £80m against £34m last year; about a dozen of the 125 stores were refurbished in the first half and a new store opened in Ayr. Sales should be up about 10 per cent, buoyed in part by the introduction of new food and fashion ranges. But the new lines devised by Conran Associates will not be in evidence before spring next year. Market estimates for Wednesday's results range from £14m pre-tax, or slightly below last year's £14.6m, to £16.5m.

Hawker Siddeley has had its ups and downs lately, especially with the failure of its bid for fellow engineer Fenner in August. On the profits front, though, it seems clear that the strong recovery seen in the second half of last year is still in full swing. The figures for the six months to end June—due on Wednesday—will benefit handsomely from sterling weakness (over 70 per cent of Hawker's business is overseas). Besides that, the order book seems to have been strong, and there are still rationalisation benefits coming through across the range of the group's operations. Against a pre-tax figure of £55.3m last time, forecasts for the scale of improvement vary widely; the consensus, though, seems to be somewhere around £75m.

| Company | Announcement due | Dividend (p)* Last year Int. | Final | This year Int. |
|---|---|---|---|---|
| FINAL DIVIDENDS | | | | |
| Armour Trust | Monday | — | 0.165 | — |
| Bejam Group | Wednesday | 1.5 | 1.75 | 1.75 |
| Bryant Holdings | Monday | 0.55 | 1.65 | 1.0 |
| Concentric | Friday | 1.21 | 2.1 | 1.27 |
| Cradley Print | Tuesday | — | 1.05 | — |
| Elbco Holdings | Wednesday | 0.90909 | 2.27273 | 1.0 |
| Firth Cokes Investments | Tuesday | — | — | — |
| Fraser, Albert Group | Monday | — | 1.0 | 0.5 |
| [illegible] Investment Company | Friday | 2.1 | 3.65 | 2.3 |
| Lyles, S. | Tuesday | 2.5 | 4.25 | 2.5 |
| Medminster | Monday | 1.5 | 2.8 | 1.75 |
| North Sea Assets | Friday | — | 3.0 | — |
| Old Court International Reserves | Wednesday | — | — | — |
| Paterson Zochonis | Tuesday | 1.33 | 3.42 | 1.45 |
| Peachey Property Corporation | Tuesday | 2.25 | 3.75 | 2.5 |
| SI Group | Thursday | 0.375 | 1.0 | 0.45 |
| Tyzack, W. Sons and Turner | Thursday | — | — | — |
| Western Holdings | Thursday† | 355.0 | 325.0 | 250.0 |
| INTERIM DIVIDENDS | | | | |
| Aircall | Tuesday | 1.85 | 3.75 | |
| Anchor Chemical Group | Thursday | 1.0 | 2.25 | |
| Anglo Indonesian Corporation | Thursday | 1.0 | 3.0 | |
| Barlow | Friday | — | 7.5 | |
| Bonusbond Holdings | Tuesday | — | — | |
| British Home Stores | Wednesday | 1.75 | 4.25 | |
| Dupont | Wednesday | 0.3 | 0.7 | |
| Edmond Holdings | Wednesday | 0.33 | 0.72 | |
| Energy Services and Electronics | Wednesday | 0.45 | 0.675 | |
| Etam | Friday | 0.75 | 1.75 | |
| Feb International | Tuesday | 0.805 | 1.835 | |
| Fortnum and Mason | Friday | 3.5 | 25.0 | |
| Greenbank Industrial Holdings | Thursday | 0.8 | 1.3 | |
| Hanover Investments (Holdings) | Wednesday | 0.77 | 1.23 | |
| Harrisons and Crosfield | Tuesday | 4.0 | 13.0 | |
| Hawker Siddeley Group | Wednesday | 3.9 | 7.1 | |
| Lake View Investment Trust | Friday | 1.55 | 2.85 | |
| Lawrence, Walter | Tuesday | 3.0 | 7.25 | |
| London Atlantic Investment Trust | Thursday | 1.75 | 3.8 | |
| Marshall's Universal | Wednesday | — | — | |
| Michelin Tyre | Monday | — | — | |
| M. Y. Dart | Thursday | 0.28 | 0.5 | |
| Scottish Mortgage and Trust | Wednesday | 2.9 | 3.5 | |
| Scottish Television | Friday | 2.1 | 6.0 | |
| Securities Trust of Scotland | Wednesday | 1.1 | 2.1 | |
| Selincourt | Thursday | 0.025 | — | |
| Silentnight Holdings | Thursday | 1.0 | 1.75 | |
| Smaller Companies International Trust | Thursday | 0.5 | 1.55 | |
| Smith St. Aubyn (Holdings) | Wednesday | 1.5 | 3.0 | |
| U.E.I. | Monday | 2.0 | 3.25 | |
| United Parcels | Wednesday | 0.6 | 2.0 | |
| Wettern Brothers | Wednesday | — | — | |

* Dividends are shown net pence per share and are adjusted for any intervening scrip issue.

## Laporte paying up to £16m for Ohio Sealants

Laporte Industries, the chemicals group which has expanded its interests in specialty products through acquisitions, is making its largest purchase to date.

It is buying Ohio Sealants Inc., a U.S.-based maker of building industry chemicals, for an initial $15m (£12.3m) with further profit-related payments of up to $4.5m (£3.7m).

This purchase overseas follows the acquisition of two UK building industry chemical companies —Sovereign (in 1982) and Bio-Kil (in 1980).

Laporte said Ohio Sealants would strengthen its position in this business area and there would be "considerable synergy" between its UK and the U.S. activities.

Ohio Sealants manufactures adhesives, sealants and caulking compounds marketed across the U.S. In 1983 it made $2.3m pre-tax on sales of $14.5m. Its net tangible assets amounted to $3.5m.

This will become the 14th small company bought by Laporte in the past five years in its effort to reduce dependence on traditional commodity chemicals. Last month it completed the £81m sale of its commodity titanium dioxide operations to SCM of the U.S.

### J. O. Walker

On group turnover ahead from £4.91m to £5.4m, Leicester-based timber importer, J. O. Walker & Co, returned taxable profits of £138,000 for the half-year to end-September 1984. Profits of £121,000 were made in the corresponding period.

Stated earnings per 25p share fell from 11.1p net to 10.7p. The directors have declared a same again interim dividend of 1.5p—in the last full year a total of 4.5p.

Tax was up by £20,000 at £52,000.

## DIVIDENDS ANNOUNCED

| | Current payment | Date of payment | Corresponding div. | Total for year | Total last year |
|---|---|---|---|---|---|
| Aaliebone and Sons ...int | 0.25 | Dec 7 | nil | — | 1 |
| Abingworth | 1.25 | — | — | — | 1.25 |
| Advance Services ...int | 2‖ | Jan 4 | 1.1 | — | 3.8 |
| Altifund ...int. | 2.5** | Nov 30 | 2.5 | — | 7.8 |
| Altifund ...int. | 0.13†† | Nov 30 | 0.13 | — | 0.39 |
| Clive Discount ...int | 1.4 | Nov 21 | 1.4 | — | 3.6 |
| Druck Holdings | 1.7‡ | Nov 24 | 1.5 | 3 | 2.6 |
| Empire Stores ...int | 0.5† | Nov 16 | Nil | — | 1.25 |
| Farnell Electronics int | 0.8 | Nov 30 | 0.6* | — | 1.5* |
| Fothergill & Harvey int | 2.75 | Dec 3 | 2.75 | — | 7.75 |
| James Halstead | 2.25 | Dec 17 | 1.75 | 3.5 | 3 |
| Hambro Life ...int | 5.4 | Nov 23 | 4.7 | — | 15.8 |
| Norman Hay ...int | 1.44 | Nov 22 | 1.25 | — | 3.57 |
| Helene of London ...int | 0.37 | Jan 1 | 0.37 | — | 1.48 |
| M. P. Kent | 1 | — | 0.9 | 1.4 | 1.26 |
| Mackintosh ...int | 4.85 | Nov 30 | 4.55 | — | 9.75 |
| John Maunders ...int | 1 | Nov 30 | Nil | 4 | 0.83 |
| John Mowlem ...int | 2.2 | Jan 2 | 2.2 | — | 11.2 |
| Noltron | 1 | — | 0.4‖ | 1.38 | 1‖ |
| Office and Electric...int | 2.5 | Dec 7 | 2.5 | — | 7.5 |
| C. H. Pearce | 4.75 | Jan 10 | 3.5 | 6.25 | 4.92* |
| Photo-Me | 6.3 | — | 5.25* | 9.45 | 7.85* |
| [illegible] Hotels ...int | 0.5 | Jan 3 | 0.23 | — | 1.4 |
| [illegible] ...int | nil | — | — | — | 0.5‡‡ |
| Roberts Adlard ...int | 2 | Nov 26 | 2 | — | 1.5 |
| Ruberoid ...int | 1.5 | — | 1.5 | — | 6 |
| Steel Brothers ...int | 4 | Nov 20 | 2 | — | 7.1 |
| TDG Circuits ...int | 2 | Dec 14 | 2 | — | — |
| Telephone Rentals ...int | 2.35 | Nov 22 | 2 | — | — |
| F. W. Thorpe | 2.15 | Dec 3 | 2 | — | 5.75 |
| Ulster TV | 2 | — | 2.15* | 4.75* | 4* |
| J. O. Walker ...int | 1.5 | Dec 6 | 1.25 | 3.45 | 3 |
| Ward White ...int | 1.89 | Jan 2 | 1.8 | — | 4.5 |
| Yorkgreen Invs ...int | 1.54 | Nov 30 | 1.54 | — | 4.93 |

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ‖ For 15 months period. ** On income shares.

Companies and Markets

# INTERNATIONAL COMPANIES and FINANCE

## First Chicago confirms big deficit

BY PAUL TAYLOR IN NEW YORK

FIRST CHICAGO, the 10th largest U.S. banking group, yesterday reported a $71.8m third quarter net loss following its previously announced decision to substantially increase loan loss provisions to $308m in the quarter and take $275m in net write-offs against troubled loans.

Separately Interfirst, the financially troubled Texas bank and the country's 16th largest, managed to post a $81.3m or $1.56 a share third quarter net profit, compared to a $248.5m or $3.05 loss in the year ago quarter, when heavy losses on its energy lending first surfaced. However, the third quarter profit included $68.9m in non-recurring gains including the sale of its headquarters building. Excluding those gains net earnings slipped from $13.4m in the 1984 second quarter.

Interfirst, however, noted that the third quarter earnings represented its third consecutive quarter of higher earnings and fourth straight quarter of profitability.

First Chicago's results were much as expected. The loss, equivalent to $1.79 a share, compares with a $49.1m or $1.05 a share profit in the year ago period. The $308m third quarter provision compares with a $35m provision in the same period last year, while net charge-offs increased from $45.7m in the second quarter.

Non-performing loans totalled $820m at the end of the quarter, compared to $918m at the end of June.

Earlier a further three of the 20 largest U.S. banking groups reported higher third quarter net earnings. But the results, from Manufacturers Hanover, J. P. Morgan and Marine Midland, like those already reported from Chemical Bank and Security Pacific, showed sharp differences in bank accounting treatment for bad loans and, in some cases, substantial increases in third quarter loan loss provisions, write-offs and end-quarter total reserves.

Manufacturers Hanover, the fourth largest U.S. bank in terms of year-end assets and perhaps the most vulnerable to speculation because of its high Argentina loan exposure, managed to post a marginal increase in third-quarter net earnings to $88.6m, or $1.69 a share, compared with 88m, or $2.20. For the first nine months net income was $246.3m, or $4.98 a share, compared with $250.6m, or $6.24 in the 1983 period.

Manufacturers' provision for possible loan losses was $104.8m, up sharply from $40.3m a year ago.

J. P. Morgan, the fifth largest U.S. banking group, reported a 19.1 per cent increase in third quarter net earnings, to $120.4m or $2.70 a share from $101.1m or $2.30. For the nine months earnings increased by 10.8 per cent to $370.1m or $8.34 a share from $333.9m or $7.65.

Its non-accrual loans otalled $940m at the end of the latest quarter, compared with $875m at the end of June and $634m a year ago. It blamed the increase on Argentine and Venezualan loans.

Marine Midland, the 15th largest U.S. banking group, which is majority owned by the Hong Kong and Shanghai Banking Corporation, reported a 3.3 per cent increase in third quarter net earnings, to $27.8m or $1.31 a share from $26.9m or $1.28. Nine-month earnings increased by 4 per cent to $76.8m or $3.60 a share from $73.8m or $3.56.

● Republic New York Corporation, another bank, reported third quarter net earnings of $24.2m or $1.38 a share, against $22.2m or $1.37. Nine-month earnings were $71.3m or $4.17 a share, compared with $62.6m or $4.13.

## Dresdner, Sanwa in China joint venture

BY JONATHAN CARR IN FRANKFURT

DRESDNER BANK and Sanwa Bank of Japan have gone into partnership with the Chinese, setting up a leasing company in Peking to help promote Chinese foreign trade.

An accord establishing the China Universal Leasing Company was signed in Peking yesterday by Dresdner and Sanwa, as well as by the Bank of China and three Chinese export-import corporations.

The agreement, which coincides with the end of Chancellor Helmut Kohl's visit to China, is seen as a further sign of Peking's determination to boost its exchanges with the industrialised world.

Dresdner, West Germany's second biggest bank which has been carefully cultivating its ties with Peking for years, noted that this is the first time that the Bank of China has co-operated in a joint venture with international banks within China.

The leasing company will have an initial capital of $3m, with Dresdner and Sanwa each holding a 23 per cent stake and the Chinese the rest. The German and Japanese banks will have representatives on both the managing and supervisory boards.

The implication is that while the new company will be involved in Chinese foreign trade generally, particular emphasis will be put on exchanges with the Federal Republic and Japan, which are two of China's key trading partners.

Dresdner underlines that the leasing enterprise itself is authorised to act as a direct importer — a potential time-saver for customers who might otherwise also have to arrange transactions via Chinese export-import organisations.

Dresdner has had a representative office in Peking since 1982.

## Perrier in $38m bid for French rival

By Our Financial Staff

PERRIER has offered to acquire a rival French mineral water group in a deal worth FFr 363m ($38m).

The target company is Sellier Leblanc, which produces mineral water under the Volvic label. Perrier is offering FFr 450 a share.

For 1983 Sellier Leblanc turned in net profits of FFr 40m on sales totalling FFr 2.37bn. Perrier net profits came close to FFr 177m in the year ended September 1983.

Sellier Leblanc shares were suspended on the Paris bourse at FFr 381. Perrier has also offered to buy Sellier Leblanc convertible bonds at a price of FFr 936, compared to the FFr 735 at which the bonds last changed hands.

The major shareholders in Sellier Leblanc include the Ste de Placements Colbert with 25 per cent, groups controlled by the Sellier Leblanc founding families with 15 per cent, and Comptoir Francais d'Achats en Commun with 7 per cent.

Sellier Leblanc is also active in coal and fuel trading, production of heating radiators, road material sales, trading in non-ferrous tubes and treatment of powders and liquids.

## First-half losses halved at Thomson-CSF parent

BY PAUL BETTS IN PARIS

THOMSON-CSF, the large defence and electronics subsidiary of the nationalised French Thomson group, reports sharply lower first half losses and expects the recovery to continue in the second half.

The losses of the Thomson-CSF parent company totalled FFr 130m ($13.7m) in the first half compared with a deficit of FFr 278m in the same period last year. The company said its consolidated net loss for the first half was expected to be of the same level as the parent company deficit.

Consolidated sales rose by 20 per cent in the six months to FFr 14.4bn. The company's order book totalled FFr 77.5bn.

This high level of orders includes the record arms contract Thomson won from Saudi Arabia last January.

The company is now also involved in the bidding for another large defence contract. This time it involves the U.S., where it is competing against Plessey of the UK for $5bn contract to supply the U.S. army with a new battlefield communications system.

Thomson-CSF parent company sales totalled FFr 10.4bn in the first half or 26 per cent higher than in the first half of last year. Exports accounted for more than 60 per cent of total sales.

## Qantas to manage Fiji airline

FIJI'S financially troubled national airline, Air Pacific, said yesterday it will be taken over and managed by Australia's Qantas Airways for at least three years, reports AP-DJ from Fiji.

Air Pacific said it accepted a proposal from the Australian government-owned international airline after considering other bids from Continental Airlines of the U.S. Air New Zealand and Ansett Airlines of Australia.

Air Pacific, which has accumulated losses of US$16m after averaging losses of $700,000 a month, said Qantas will provide an interim chief executive and financial controller while it trains locals to do the jobs.

In addition, Qantas will add stops in Fiji to its regular flights between Australia and the U.S.

## Freddie Mac in $7bn zero coupon issue

By Terry Byland in New York

IN WHAT is believed to be the largest such issue on record in the New York credit markets, Federal Home Loan Mortgage Corporation (Freddie Mac) yesterday offered for sale $7bn of zero coupon subordinated capital debentures due in 2019. The bonds were priced at $31.79 to yield 10.10 per cent by an underwriting syndicate headed by Salomon Brothers, which said the sale would raise about $211m for Freddie Mac.

Mr Ted Thatcher of Salomon Brothers, said that the issue was "going very well," and finding a ready reception with foreign investors.

Zero coupon issues have proved increasingly popular with pension fund and other long-term investors, as a means of "locking into" the high yields currently available in New York.

## Bofors sees recovery

By David Brown in Stockholm

BOFORS, THE Swedish armaments group which last month took over the leading chemicals group, KemaNobel, in one of the country's biggest ever acquisitions, said a strong improvement in operating results for the first eight months was offset by high extraordinary restructuring costs.

The group forecasts full-year results after financial items of about SKr 200m ($23m) this year, well up on SKr 11m achieved last year but still short of the 1980 peak of SKr 251m.

Sales, up 33 per cent to SKr 2.9bn for the eight months are expected to reach SKr 4.8bn by the end of the year, excluding KemaNobel. The eight-month profit, after net financial costs was SKr 81m, up SKr 31m from 1983.

## Colgate moves to ward off unwelcome suitors

BY WILLIAM HALL IN NEW YORK

COLGATE - PALMOLIVE, the U.S. consumer products group whose shares have been rising on the back of persistent takeoevr rumours, has moved to defend itself and has announced a "poison-pill" dividend which will be activated if an unwelcome suitor comes on the scene.

Colgate said yesterday it was giving its shareholders the right to buy half a share of Colgate stock at $37.50 for each share they own — thus raising the share price for a possible bidder.

The rights will only be exercisable in the event that someone acquires 20 per cent or more of Colgate-Palmolive stock or makes a tender offer for 30 per cent or more of the company.

Several investors are thought to have been interested in Colgate, whose main attraction is believed to be its break-up value of more than $30 per share rather than its earnings potential. Sir James Goldsmith, the Anglo-French financier, has been reportedly building up a stake in Colgate, which last year earned $197.8m on sales of $4.9bn.

Colgate said it was taking the action to ensure that all shareholders received "fair and equal treatment" in the event of a takeover. The move makes Colgate much more expensive for a would-be acquirer. After the announcement Colgate's shares fell $⅜ to $24⅜, capitalising the company at around $2bn. However, the effect of the new dividend means that Colgate is putting an effective minimum price on itself of $3.1bn.

## Motorola up at 9 months

BY OUR NEW YORK STAFF

MOTOROLA, the U.S. semiconductor and electronics maker, has reported a near-doubling of third quarter net profit from $66m (56 cents a share) to $124m ($1.04 a share. The figures included a $38m tax credit. Sales during the period rose from $1.08bn to $1.38bn.

Net earnings for the first nine months amounted to $300m ($2.53) compared with $149m ($1.28) in 1983. Sales for this period were up by almost $1bn to $4.05bn.

Operating profits in the communications sector were "significantly higher," the company said. There was a 23 per cent increase in new orders while the order backlog was up 31 per cent from the previous year.

A lower order rate in its semiconductor products sector reflects shortening delivery lead times for certain product families. However, operating profits in this division were said to have increased sharply.

## Japanese seek U.S. bill-linked trust

TOKYO—Japan's security houses are negotiating with the Ministry of Finance to allow the introduction of a new kind of investment trust incorporating four-year U.S. Treasury notes.

Called the "nai-gai saiken" (domestic and foreign securities), the new instrument will be 50 per cent foreign and 50 per cent domestic public sector bonds. Half of the foreign bonds will be Treasury bills which the U.S. Government is planning to start selling in foreign markets next month.

The fund's yield is estimated at 8 per cent and the brokers forecast total sales of Y400bn ($1.62bn). If approval is given the new investment trust will be put on the market l

Foreign selling of Japanese stocks has once again exceeded buying, reported Japan's 16 largest brokers for the month of September. Sales exceeded purchases by Y90bn. In August net buying amounted to Y43bn, according to Tokyo stock exchange figures.

During September foreign investors sold stocks worth Y557bn through these brokers. Some Y467bn worth of stocks, down 24.8 per cent on the August figure, were purchased.

Aggregate selling in the first nine months of this year exceeds purchases by Y1,322bn, said the security houses.

Pioneer Electronic, is to issue 8m shares, mainly in Europe, at Y2,326 each or $9.475 per European Depository Receipt (EDR).

The shares will be available to all but U.S. investors and the company expects most of them to be taken up in Europe in the form of EDRs.

The issue will, along with a scrip issue due November 15, increase Pioneer's outstanding share total to 137.5m from the present 117.7m.

Alps Electric is issuing 10m shares in Tokyo between October 17 and 19. The issue is priced at Y2,065, which compares with a closing Y2,360—down Y40—on Thursday. The company's total number of outstanding shares will rise to 161.3m after the issue.

Agencies

## FCA axes fifth of staff

BY OUR NEW YORK STAFF

FINANCIAL CORPORATION of America, parent of the largest U.S. savings and loan institution, has announced plans to lay off 1,500 staff and cut back on executive perks. The lay-offs represent one-fifth of FCA's workforce.

The cuts are part of the efforts being made by Mr William Popejoy, FCA's new chief executive, to dismantle the corporate empire built up by his predecessor, Mr Charles Knapp. The moves will cut overheads by $35m a year.

Mr Popejoy indicated that FCA will be a good deal less flamboyant than in the past. It is abandoning plans for a $45m new office building in California, and is putting up for sale five company aircraft, 475 company cars and 41 company flats.

# WORLD STOCK MARKETS

## NEW YORK

[illegible]

WALL STREET

## Higher on economic news

WITH TECHNOLOGY, Bank and Aerospace stocks forging ahead, Wall Street closed moderately higher, assisted by some good economic and inflation figures. But the close was below the best.

After rising 10.49 to 1193.57, the Dow Jones Industrial Average partially reacted to 1190.70, for a net rise of 7.62 on the day and 8.17 on the week. The NYSE All Common Index, at $94.79, rose 82 cents on the day and 90 cents on the week, while gains led losses by a two-to-one majority. Volume expanded 5.17m shares to 92.19m.

Analysts said the Stock Market was helped at the outset by economic data that suggest business continues to expand and inflation remains low.

Prior to the market's opening the Government reported that U.S. Retail Sales rose a stronger than expected 1.6 per cent in September, while Producer Prices dropped an encouraging 0.2 per cent.

One analyst said thatalthough Wall Street got encouraging economic news yesterday, the market seemed to lose its momentum in advance of the weekend.

Aerospace issues crowded the plus column with **Boeing** up $2¼ to $54⅞, **McDonnell Douglas** $2¾ to $70¾ and **Lockheed** $1¾ to $45¼ on favourable comment.

Banks continued to react to better than expected earnings results. **Manufacturers Hanover** rose $⅜ to $30¾, **J. P. Morgan** $1¾ to $72¼, **Chase** $⅞ to $43½ and **Security Pacific** $¾ to $50½.

**First Boston** advanced $2 to $50¾ on higher third quarter profits.

**American Cyanamid** rose another $1¾ to $51¼ on the sale of its formica operations.

**Portec** were lifted $2⅛ to $18¼—**Ampco Pittsburgh** reported that it holds a stake in the company.

With **IBM** setting the mood with its improved earnings, other Technology stocks showed good gains. **Digital Equipment** was up $1¾ to $95¼ and **Data General** $1¾ to $51¾.

**Coachmen Industries** fell $1¼ to $13⅞—it said there could be a negative impact on its third quarter profits.

THE AMERICAN SE Market Value Index was up 1.41 to 211.66, for a net rise of 0.26 on the week. Gains led losses 272-to-197. Volume 5,064m (6,125m) shares.

**I.C.H.** fell $3⅜ to $59⅜ on definitive plans for reorganisation and merger, with I.C.H. issuing 3.35m additional Common shares.

**CANADA**

Sharply higher with a broad advance on moderately-active trading.

The Toronto Composite Index was up to 20.8 at 2,386.7, Golds 90.8 at 3,658.2, Metals and Minerals 28.2 at 1,962.4 and Oil & Gas 29.5 at 3,486.4.

**Wix** were lifted $4¼ to $10¼ on the $10½ per share takeover bid by **Hayes-Dana**.

**TOKYO**

Between a strong opening and a final-hour rally, stock prices slid in moderate trading.

The Nikkei Dow Jones Index finished 12.28 down at 10,684.58. Losses led gains 381-to-298. First-section turnover 300m (280m) shares.

The market opened firm, with Blue Chips strong on the back of Wall Street's Thursday advance. The Nikkei Dow Index was ahead 21.92 after the first 15 minutes. But selling nibbled away at the gain most of the day, with the Index turning into minus territory by the close of the morning session. It was off 26.82 going into the final hour, when bargain hunting pulled some prices higher.

Traders blamed the weakness in parton investors reluctance to comit themselves in a short week. The market was closed Wednesday for a National holiday, and will be closed today for the regular second-Saturday monthly market holiday.

A weaker yen and uncertainties in New York, where IBM fell despite reporting earnings in line with forecasts, cast a cloud over the Tokyo market and kept buyers on the sidelines, a dealer said.

That dealer continued to argue that Japanese Institutional and individual investors have funds they want to put into the market, but are waiting for a more positive sign from Wall Street. Their hesitancy is leaving Blue Chips o ut in the cold, while "Speculative" and "Incentive-Backed" issues advance instead.

Profit-taking in recent "high fliers" among Drugs and "Speclatives" contributed to the drop in the Index. In addition, Blue Chip Electricals and others aided at first by Wall Street's rise couldn't sustain their advance, and fell back.

Drugs and Speculatives fell broadly, while Steels, Heavy and Light Electricals, Cements, Securities Houses and Insurances also dropped. Chemicals, Machine Tools, Motors and Banks were mixed. Constructions, Precision Instruments, Cash—stocks which cannot be bought on Margin—and selected Electronic Components gained ground.

Oils and Electric-Power Utilities advanced on forecasts of a cold winter.

Steels softened gradually since U.S. President Ronald Reagan announced plans to limit imports of Foreign steel into the U.S. and implied he would ask Japan to take more steel from South Korea and other developing countries.

**GERMANY**

Firmer in active trading with large turnover as Bourse sentiment was boosted by Foreign buying attracted by the firm dollar, favouring Chemicals and Blue Chips.

Markets gained confidence as some initial selling orders failed to depress trading, while growing confidence in the German economy and a recent easing of domestic interest rates firmly underpin expectations that stocks could rise further.

The Commerzbank Index of 60 leading shares rose 4.1 to 1,074.3.

Machine Makers did well, with the exception of **Deutsche Babcock**, off DM 1 at 158.5. **Linde** were up DM 3.80 to 384.8.

But Electricals, Bankings, Steels, Retailings and Utilities ended broadly mixed.

Banks were mostly lower. Thyssen posted respective losses of DM 1.10 and 70 pfennigs.

**Horten** fell DM 4 to 167 among Retailing shares.

Insurer **Allianz** closed DM 35 higher at 1,030, mainly on resurfacing rumours of a company reorganisation dealers said.

**HONG KONG**

Mixed in thin trading.

The Hang Seng Index ended up 3.36 at 983.14. Turnover $HK99.29m ($HK103.36m).

Brokers said buying and selling activity was about even, although one said the failure of selling pressure to bring the market lower indicates that it is posing for new gains.

Market participants said a slight decline in the value of **Wheelock Marden's** share price off 2 cents at $HK3.55, reflects market doubts of rumours that the conglomerate might be planning a major Corporate restructuring.

**AUSTRALIA**

Share prices rose in moderately active trading.

Markets were cheered by the gains on Wall Street, but they attributed the Australian gain to a handful of stocks distorting markets.

Selective buying among key Industrial and Mining issues acted as a lever to push the overall Market Index higher.

The All Ordinaries Index finished up 2.7 at 749.1. The All Industrials Index rose 5.0 to 1080.5—its highest level ever, the All Resources Index 1.0 to 492.5 and the Metals and Minerals Index 1.3 to 450.1.

Among Alcohol and Tobacco stocks, **Castlemaine Tooheys** gained another 15 cents to A$4.95 on continued speculation it will soon become a takeover target. **Philip Morris** advanced 40 cents to A$6.60 ahead of its bonus issue and dividend payout next week.

In Insurances, **FAI Insurances** improved 14 cents to A$6.76 on buying from London.

Elsewhere, Properties, Banks and Finances were steady, while Oil and Gas issues were mostly "flat." There was little activity among Metals.

Investors abandoned recent heavily traded situation stocks such as **Mayne Nickless**, off 2 cents at A$3.80, for which APM is offering A$3.52 a share including bonus.

## CANADA

| Stock | Oct. 12 | Oct. 11 |
|---|---|---|
| AMCA Intl. | 20 | 20 |
| Abitibi | 31½ | 31½ |
| Agnico Eagle | 16 | 16 |
| Alberta Energy | 22⅝ | 22⅜ |
| Alcan Aluminium | 35¼ | 34⅞ |
| Algoma Steel | 22 | 22 |
| Argen Inc. | 20⅛ | 20⅛ |
| [illegible] | | |

| Stock | Oct 12 | Oct. 11 |
|---|---|---|
| Cambell Red Lk. | 31 | 29¾ |
| Can. Cement Pt. | 14¼ | 14⅛ |
| Can. NW Energy | 31 | 30½ |
| Can. Packers | 25 | 25 |
| Can. Trustco | 26⅝ | 26⅜ |
| Can. Imp. Bank | 26⅝ | 26 |
| Can. Pacific | 46⅞ | 46½ |
| Can. Pac. Ents. | 24 | 24 |
| Can. Tire C. | 9⅞ | 9⅞ |
| [illegible] | | |

| Stock | Oct. 12 | Oct. 11 |
|---|---|---|
| Dome Mines | 13⅝ | 12¼ |
| Dome Petroleum | 2.76 | 2.72 |
| Domtar | 32½ | 32⅝ |
| Falconbridge | 79 | 78½ |
| Genstar | 24⅝ | 24 |
| Giant Y'knife | 16¼ | 16¼ |
| Gt. West Life | 3.30 | 3.30 |
| [illegible] | | |

| Stock | Oct. 12 | Oct. 11 |
|---|---|---|
| Macmill. Bloedel | 26½ | 25¾ |
| Marks & Spencer | 7⅞ | 7¾ |
| MasseyFerguson | 3.60 | 3.65 |
| McIntyre Mines | 36½ | 37⅛ |
| Mitel Corpn. | 9 | 8⅞ |
| Molson A | 18⅜ | 16¼ |
| Moore Corp. | 54⅛ | 53⅛ |
| Nat. Sea Prods A | 5 | 5 |
| Noranda Inc. | 20¼ | 19⅝ |
| [illegible] | | |

| Stock | Oct. 12 | Oct. 11 |
|---|---|---|
| Ranger Oil | 8⅞ | 9 |
| Reed Stenhs. | 12 | 11⅞ |
| Rio Algom | 19⅞ | 19⅞ |
| Royal Bank A | 28¼ | 28¼ |
| Royal Trust A | 29⅞ | 29¾ |
| Sceptre Res. | 7⅛ | 7 |
| Seagram | 48⅝ | 48 |
| Sears Can. Inc. | 7⅝ | 7⅝ |
| [illegible] | | |

## AUSTRIA

[illegible]

## BELGIUM/LUXEMBOURG

[illegible]

## DENMARK

[illegible]

## FRANCE

[illegible]

## GERMANY

[illegible]

## ITALY

[illegible]

## NETHERLANDS

[illegible]

## NORWAY

[illegible]

## SPAIN

[illegible]

## SWEDEN

[illegible]

## SWITZERLAND

[illegible]

## AUSTRALIA

[illegible]

## AUSTRALIA (continued)

[illegible]

## HONG KONG

[illegible]

## JAPAN

[illegible]

## JAPAN (continued)

[illegible]

## SINGAPORE

[illegible]

## SOUTH AFRICA

[illegible]

# Indices

## NEW YORK

DOW JONES

[illegible]

STANDARD AND POORS

[illegible]

N.Y.S.E. ALL COMMON

[illegible]

Rises and Falls

[illegible]

TORONTO

[illegible]

MONTREAL Portfolio

[illegible]

AUSTRALIA · AUSTRIA · BELGIUM · DENMARK · FRANCE · GERMANY · HONG KONG · ITALY · JAPAN · NETHERLANDS · NORWAY · SINGAPORE · SOUTH AFRICA · SPAIN · SWEDEN · SWITZERLAND · WORLD

[illegible]

## NEW YORK ACTIVE STOCKS

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

# CURRENCIES, MONEY and CAPITAL MARKETS

## FOREIGN EXCHANGES

# Sterling firm

Sterling improved in currency markets yesterday on hopes of an early settlement to the miner's strike. An acceptance of proposals by the National Coal Board which had been put forward by Acas brought the possibility of a settlement closer than at any other time in the seven-month strike. The attitude of the National Union of Mineworkers was not known at the close of business in London.

Sterling's improvement was confined mostly to European currencies although it did maintain Thursday's level aganst a predominantly stronger dollar. The pound's index finished at 76.6 from 76.3 on Thursday and it rose 10 points against the dollar to finish at $1.2265. Against the D-mark it rose to DM 3.8175 from DM 3.7925 and SwFr 3.1325 compared with SwFr 3.1225. Against the yen it was unchanged at Y303.75 but rose in terms of the French franc to FFr 11.6750 from FFr 11.6125.

The dollar finished below its best level but was still up from Thursday, boosted by news of a 1.6 per cent rise in U.S. retail sales and a 0.2 per cent fall in wholesale prices. The prospect of continued economic growth coupled with lower inflationary pressures increased the dollar's attractiveness but once again there was some concern ahead of the weekend that the Bundesbank may take the opportunity to push the dollar weaker. However, the latter still showed useful net gains to finish at DM 3.1060 from DM 3.0960.

### STERLING EXCHANGE RATE INDEX (Bank of England)

| | Oct 12 | Previous |
|---|---|---|
| 8.30 am | — | — |
| 9.00 am | 76.3 | 76.4 |
| 10.00 am | 76.4 | 76.3 |
| 11.00 am | 76.4 | 76.3 |
| Noon | 76.4 | 76.4 |
| 1.00 pm | 76.5 | 76.3 |
| 2.00 pm | 76.5 | 76.3 |
| 3.00 pm | 76.6 | 76.4 |
| 4.00 pm | 76.6 | 76.3 |

### New York rates

| | Oct. 12 | Prev. close |
|---|---|---|
| £ Spot | $1.2235-1.2245 | $1.2265-1.2275 |
| 1 month | par-0.02 dis | 0.01pm-0.01 dis |
| 3 months | 0.23-0.26 dis | 0.21-0.24 dis |
| 12 months | 1.50-1.60 dis | 1.50-1.60 dis |

Forward premiums and discounts apply to the U.S. dollar.

### POUND SPOT—FORWARD AGAINST POUND

| Oct 12 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| U.S. | 1.2210-1.2290 | 1.2260-1.2270 | par-0.03c dis | -0.15 | 0.22-0.28dis | -0.78 |
| Canada | 1.6125-1.6200 | 1.6165-1.6175 | 0.15-0.25c dis | -1.48 | 0.65-0.80dis | -1.79 |
| Nethlnd. | 4.27¼-4.30¾ | 4.29¼-4.30¼ | 1¾-1⅝c pm | 4.37 | 4⅝-4⅜ pm | 4.02 |
| Belgium | 76.73-77.50 | 76.80-77.50 | 2c pm-3 dis | -0.06 | 1 pm-8 dis | -0.18 |
| Denmark | 13.74-13.78 | 13.76½-13.77½ | ⅛-1ore dis | -0.49 | 3¼-4¼ dis | -1.25 |
| Ireland | 1.2217-1.2293 | 1.2265-1.2276 | 0.13-0.23p dis | -2.00 | 0.69-0.87dis | -2.54 |
| W. Ger. | 3.79½-3.82¼ | 3.81¼-3.82¼ | 1¾-1⅝pf pm | 5.11 | 4⅝-4⅞ pm | 4.68 |
| Portugal | 195.35-200.65 | 198.50-200.50 | 100-1075dis | -21.34 | 400-1875dis | -21.79 |
| Spain | 211.30-212.50 | 212.30-212.50 | 35-85c dis | -2.82 | 180-210 dis | -3.48 |
| Italy | 2,341-2,357½ | 2,352-2,353 | 9-11 lire dis | -5.10 | 30-34 dis | -4.00 |
| Norway | 10.91-10.95 | 10.93½-10.94½ | 2-3½ore dis | -2.90 | 6½-7½ dis | -2.63 |
| France | 11.64-11.70¾ | 11.67-11.68 | ¼-¾c dis | -0.45 | 2¾-3¾ dis | -0.90 |
| Sweden | 10.68-10.73 | 10.69½-10.70½ | 2-2½ore dis | -2.52 | 6¼-7¼ dis | -2.57 |
| Japan | 302½-304½ | 303½-304½ | 1.24-1.13y pm | 4.68 | 3.14-2.98 pm | 4.03 |
| Austria | 26.70-26.82 | 26.75-26.80 | 9½-7½gro pm | 3.92 | 28-18½ pm | 2.86 |
| Switz. | 3.11½-3.13½ | 3.12¼-3.13¼ | 1¾-1⅝c pm | 5.75 | 4⅛-3⅞ pm | 5.11 |

Belgian rate is for convertible francs. Financial franc 77.75-77.85. Six-month forward dollar 0.53-0.68c dis. 12-month 1.50-1.65c dis.

### DOLLAR SPOT—FORWARD AGAINST DOLLAR

| Oct 12 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| UK† | 1.2210-1.2290 | 1.2260-1.2270 | par-0.03c dis | -0.15 | 0.22-0.28dis | -0.78 |
| Ireland† | 0.9860-1.0005 | 0.9950-0.9960 | 0.15-0.12c pm | 1.62 | 0.46-0.38 pm | 1.68 |
| Canada | 1.3185-1.3200 | 1.3185-1.3195 | 0.10-0.16c dis | -1.27 | 0.29-0.36dis | -0.98 |
| Nethlnd. | 3.4980-3.5080 | 3.4985-3.5005 | 1.36-1.33c pm | 4.60 | 4.23-4.19 pm | 4.80 |
| Belgium | 62.70-62.75 | 62.70-62.75 | 1c pm-2c dis | -0.09 | 5-4 pm | 0.41 |
| Denmark | 11.21¼-11.24¾ | 11.21¼-11.22¼ | ¼-par pm | 0.27 | ¼-par pm | 0.08 |
| W. Ger. | 3.0890-3.1200 | 3.1055-3.1065 | 1.36-1.29pf pm | 5.07 | 4.05-4.00 pm | 5.18 |
| Portugal | 162½-163½ | 162½-163½ | 150-400c dis | -20.24 | 400-1150dis | -19.02 |
| Spain | 173.00-173.45 | 173.00-173.40 | 35-55c dis | -3.11 | 105-140 dis | -2.82 |
| Italy | 1,914-1,919 | 1,914-1,915 | 8.00-8.40 lire dis | -5.13 | 23.00-23.75dis | -4.88 |
| Norway | 8.89-8.92½ | 8.91¼-8.91½ | 1.50-2.10ore dis | -2.48 | 4.00-4.50dis | -1.91 |
| France | 9.51½-9.54½ | 9.51½-9.52½ | 0.25-0.28c dis | -0.28 | 0.50-0.60dis | -0.23 |
| Sweden | 8.73-8.75½ | 8.72-8.72½ | 1.55-2.05ore dis | -2.47 | 3.90-4.40dis | -1.90 |
| Japan | 247.45-248.15 | 247.65-247.75 | 1.00-0.95y pm | 4.74 | 2.99-2.94 pm | 4.79 |
| Austria | 21.80-21.85 | 21.80-21.85 | 7-6¼gro pm | 3.70 | 20½-18½ pm | 3.57 |
| Switz. | 2.5450-2.5580 | 2.5535-2.5545 | 1.26-1.20c pm | 5.75 | 3.70-3.65 pm | 5.76 |

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 63.40-63.50.

### OTHER CURRENCIES

| Oct. 12 | £ | $ | | £ Note Rates |
|---|---|---|---|---|
| Argentina Peso | 124.45-124.67 | 101.39-101.48 | Austria | 26.60-27.00 |
| Australia Dollar | 1.4745-1.4765 | 1.2015-1.2035 | Belgium | 77.30-78.20 |
| Brazil Cruzeiro | 2,939.86-2,957.00 | 2,395-2,407 | Denmark | 13.70-13.83 |
| Finland Markka | 7.8553-7.8584 | 6.4105-6.4125 | France | 11.64-11.76 |
| Greek Drachma | 155.20-155.50 | 126.75-1.2690 | Germany | 3.80-3.84 |
| Hong Kong Dollar | 9.6000-9.6100 | 7.8285-7.8315 | Italy | 2330-2360 |
| Iran Rial | 114.30* | 92.75* | Japan | 303-307 |
| Kuwait Dinar(KD) | 0.36870-0.36915 | 0.30050-0.30068 | Netherlands | 4.28-4.32 |
| Luxembourg Fr. | 76.80-77.50 | 62.70-62.75 | Norway | 10.87-10.97 |
| Malaysia Dollar | 2.9250-2.9410 | 2.3850-2.3950 | Portugal | 194-233 |
| New Zealand Dlr. | 2.5850-2.5500 | 2.0575-2.0605 | Spain | 207½-216½ |
| Saudi Arab. Riyal | 4.3685-4.3785 | 3.5605-3.5615 | Sweden | 10.65-10.75 |
| Singapore Dollar | 2.6550-2.6610 | 2.1650-2.1660 | Switzerland | 3.11-3.14 |
| Sth African Rand | 2.1253-2.1323 | 1.7290-1.7456 | United States | 1.21½-1.23½ |
| U.A.E. Dirham | 4.5055-4.5105 | 3.6720-3.6750 | Yugoslavia | 247-261 |

* Selling rate.

### EXCHANGE CROSS RATES

| Oct. 12 | Pound St'rling | U.S. Dollar | Deutsche m'k | J'panese Yen | FrenchFranc | Swiss Franc | Dutch Guild | Italian Lira | Canada Dollar | Belgian Franc |
|---|---|---|---|---|---|---|---|---|---|---|
| Pound Sterling | 1. | 1.227 | 3.818 | 303.8 | 11.68 | 3.133 | 4.293 | 2353. | 1.617 | 77.20 |
| U.S. Dollar | 0.815 | 1. | 3.106 | 247.7 | 9.519 | 2.554 | 3.501 | 1918. | 1.318 | 62.75 |
| Deutschemark | 0.262 | 0.321 | 1. | 79.57 | 3.058 | 0.821 | 1.124 | 616.2 | 0.424 | 20.22 |
| Japanese Yen 1,000 | 3.292 | 4.038 | 12.57 | 1000. | 38.44 | 10.30 | 14.13 | 7745. | 5.323 | 254.2 |
| French Franc 10 | 0.857 | 1.051 | 3.270 | 261.2 | 10. | 2.683 | 3.677 | 2015. | 1.385 | 66.12 |
| Swiss Franc | 0.319 | 0.392 | 1.219 | 96.97 | 3.727 | 1. | 1.370 | 751.0 | 0.516 | 24.64 |
| Dutch Guilder | 0.233 | 0.286 | 0.889 | 70.76 | 2.720 | 0.750 | 1. | 548.3 | 0.377 | 17.98 |
| Italian Lira 1,000 | 0.425 | 0.521 | 1.623 | 129.1 | 4.963 | 1.332 | 1.825 | 1000. | 0.687 | 32.82 |
| Canadian Dollar | 0.618 | 0.759 | 2.361 | 187.8 | 7.220 | 1.937 | 2.655 | 1455. | 1. | 47.74 |
| Belgian Franc 100 | 1.295 | 1.589 | 4.945 | 393.5 | 15.12 | 4.058 | 5.560 | 3047. | 2.095 | 100. |

## MONEY MARKETS

# Rates ease

UK interest rates were marked down in London yesterday following news of an acceptance by the National Coal Board of Acas peace proposals. Three-month interbank money slipped to 10⅞-10¾ per cent from 10⅞-11 per cent and three-month eligible bank bills were bid lower at 10 per cent down from 10⅛ per cent. Weekend interbank money opened at 11-11¼ per cent and eased to 10½-10¾ per cent before coming back to touch a high of 11⅛ per cent. Late balances were taken nearer 10 per cent.

The Bank of England forecast a shortage of around £600m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £337m and the unwinding of previous sale and repurchase agreements a further £124m. In addition banks brought forward balances £10m below target and there was a rise in the note circulation of £230m. On the other hand Exchequer transactions added £105m.

To help alleviate the shortage, the Bank offered an early round of assistance which comprised purchases of £6m of eligible bank bills in band 1 (up to 14 days) at 10¼ per cent and £49m in band 2 (15-33 days) at 10⅛ per cent. In band 3 (34-63 days) it bought £5m of local authority bills at 10¼ per cent and in band 4 (64-91 days) £15m of eligible bank bills at 10⅛ per cent. Further help was given in the morning of £308m through sale and repurchase agreements at 10¼ per cent, unwinding in equal amounts on October 29 and 30.

The forecast was later revised to a shortage of around £750m before taking into account the early help and was then revised once more to £700m. In the afternoon the Bank gave assistance of £129m, comprising purchases of £10m of local authority bills and £6m of eligible bank bills in band 1 at 10¼ per cent and in band 2, £2m of local authority bills and £5m of eligible bank bills at 10⅛ per cent. It also arranged sale and repurchase agreements on £95m of bills at 10⅛ per cent, for resale on October 29 and £11m at 10⅛ per cent for resale on October 30. The Bank also provided late assistance of £165m, making a total of £677m.

### LONDON MONEY RATES

Discount Houses Deposit and Bill Rates

| Oct. 12 1984 | Sterling Certificate of deposit | Interbank | Local Authority deposits | Company Deposits | Market Deposits | Treasury (Buy) | Treasury (Sell) | Eligible Bank (Buy) | Eligible Bank (Sell) | Fine Trade (Buy) |
|---|---|---|---|---|---|---|---|---|---|---|
| Overnight | — | 10-11⅛ | 10¾-11 | 10¾-11⅛ | 7-10¾ | — | — | — | — | — |
| 2 days notice | — | — | 10¾-10⅞ | — | — | — | — | — | — | — |
| 7 days or | — | — | — | — | — | — | — | — | — | — |
| 7 days notice | — | 10⅞-11⅛ | 10¾-10⅞ | 11-11¼ | 10½-10¾ | — | — | — | — | — |
| One month | 10⅝-10½ | 10⅞-11⅛ | 10¾ | 11 | 10½ | 10⅛ | 10⅛ | 10⅜ | 10⅜ | 11½ |
| Two months | 10⅝-10½ | 10½-10⅝ | 10⅝ | 10⅞ | 10 | 10⅛ | 10⅛ | 10⅛ | 10 | 10⅞ |
| Three months | 10⅝-10½ | 10⅞-10⅜ | 10½ | 10¾ | 10 | 9⅞ | 9¾ | 10 | 9⅞ | 10⅞ |
| Six months | 10⅝-10½ | 10⅝-10⅞ | 10⅛ | — | — | — | — | 9⅞ | 9⅞ | 10¾ |
| Nine months | 10⅝-10½ | 10½-10⅞ | — | — | — | — | — | — | — | — |
| One year | 10⅝-10½ | 10½-10⅝ | 10⅛ | — | — | — | — | — | — | — |

| | Local Auth. negotiable bonds | Local Authority Deposits | Finance House Deposits | $-Cert of Deposits | SDR Linked Deposits | ECU Linked Deposits |
|---|---|---|---|---|---|---|
| One month | 11⅛-10⅞ | — | 10¾ | 10.5-10.6 | 9⅛-9⅞ | 9¾-9⅞ |
| Two months | 11⅛-10⅞ | — | 10⅞ | 10.75-10.85 | 9⅛-9½ | 9⅞-10 |
| Three months | 11-10⅞ | — | 10⅞ | 10.75-10.85 | 9⅛-9⅜ | 9⅞-10⅛ |
| Six months | 11-10⅞ | — | 10⅞ | 11.1-11.2 | 9⅞-9⅞ | 10-10⅛ |
| Nine months | 10⅞-10⅝ | — | 10⅞ | 11.2-11.4 | — | — |
| One year | 10⅞-10⅝ | — | 10⅞ | 11.4-11.6 | 10-10¼ | 10⅛-10⅜ |
| Two years | — | 11¼ | — | — | — | — |
| Three years | — | 11⅜ | — | — | — | — |
| Four years | — | 11½ | — | — | — | — |
| Five years | — | 11½ | — | — | — | — |

ECGD Fixed Rate Export Finance Scheme IV: Average Rate of interest period September 5 to October 2 1984 (inclusive): 10.904 per cent. Local authorities and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 11 per cent from October 1 1984. London and Scottish Clearing Bank Rates for lending 10½ per cent. London Deposit Rates for sums at seven days' notice 7¼-7½ per cent. Treasury Bills: Average tender rates of discount 9.7287 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 10¼ per cent; one-three months 10¼ per cent; three-six months 10¼ per cent; six-nine months 10¼ per cent; nine-12 months 10¼ per cent. Under £100,000 10 per cent from September 12. Deposits held under Series 6 10½ per cent. The rates for all deposits withdrawn for cash 7 per cent.

### FT LONDON INTERBANK FIXING

LONDON INTERBANK FIXING
(11.00 a.m. October 12)

| 3 months U.S. dollars | |
|---|---|
| bid 11 1/16 | offer 11 3/16 |

| 6 months U.S. dollars | |
|---|---|
| bid 11 3/8 | offer 11 1/2 |

The fixing rates are the arithmetic means, rounded to the nearest one sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

### EURO-CURRENCY INTEREST RATES (Market closing rates)

| Oct. 11 | Sterling | U.S. Dollar | Canadian Dollar | Dutch Guilder | Swiss Franc | D-mark | French Franc | Italian Lira | Belgian Franc Conv. | Belgian Franc Fin. | Yen | Danish Krone |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Short term | 11-11⅛ | 9⅞-10 | 11⅛-11⅜ | 5⅛-5⅜ | 2¼-2⅝ | 5½-5⅝ | — | 15⅝-16½ | 10½-11 | 10¾-11 | 5⅝-6⅛ | 11⅞-11⅞ |
| 7 days' notice | 11-11⅛ | 10⅛-10⅜ | 11⅛-11⅜ | 5⅛-5⅜ | 2⅛-2⅝ | 5⅛-5⅜ | — | 15⅛-16⅛ | 10½-11 | 10⅝-11 | 5⅝-6⅛ | 11⅞-11⅞ |
| Month | 10⅞-10⅞ | 10⅞-11 | 11⅝-11⅞ | 5⅝-5⅞ | 4⅛-4⅜ | 5⅝-5⅝ | 10⅞-11⅛ | 15⅝-16⅛ | 10⅝-11 | 10⅝-11 | 6⅛-6⅛ | 11⅞-11⅞ |
| Three months | 10⅞-10⅞ | 10⅞-11 | 11⅞-12 | 5⅞-6⅛ | 4⅞-5⅛ | 5⅝-5⅝ | 10⅞-11⅛ | 16-16⅛ | 10⅝-11 | 10⅝-11 | 6⅛-6⅜ | 11⅞-12 |
| Six months | 10⅞-10⅞ | 11⅛-11⅜ | 12⅛-12⅜ | 6⅛-6⅜ | 5⅛-5⅜ | 5⅞-6 | 11⅞-12⅛ | 16-16⅛ | 10⅞-11 | 10⅞-11 | 6⅛-6⅜ | 12-12⅛ |
| One year | 10⅞-10⅞ | 11⅛-11⅞ | 12⅛-12⅛ | 6⅜-6⅛ | 5⅛-5⅜ | 6-6⅛ | 12⅛-12⅛ | 15⅞-16⅛ | 10⅞-11 | 10⅞-11 | 6⅛-6⅜ | 12⅛-12⅛ |

Asian $ (closing rates in Singapore): Short-term 10⅛-10¼ per cent; seven-days 10⅞-10⅞ per cent; one-month 10⅞-10⅞ per cent; three months 11-11⅛ per cent; six months 11⅜-11½ per cent; one year 11¾-11⅞ per cent. Long-term Eurodollars: two years 12⅛-12⅝ per cent; three years 12⅜-12⅝ per cent; four years 12¾-13 per cent; five years 12⅞-13⅛ per cent nominal rates. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

# COMMODITIES AND AGRICULTURE

## REVIEW OF THE WEEK

# Cocoa demand figures lower than expected

BY OUR COMMODITIES STAFF

COCOA PRICES moved higher again this week on the London futures market in spite of the announcement of lower-than-expected third-quarter usage figures by major consuming countries.

The December position moved up to £1,914 a tonne at one stage before finishing the week £40.50 up at £1,899.50 a tonne.

Prices moved up early on encouraged by a bullish world crop forecast from a French trader and a prediction of a sharp cut in Ivory Coast production.

Values were trimmed back later following the publication of disappointing third-quarter cocoa bean grindings figures by the UK, up20.92 per cent; the U.S., up 4.6 per cent; and West Germany, down 1.5 per cent.

Sugar prices were boosted by a large purchase at an Egyptian buying tender in mid-week. Egypt had been thought to be seeking only around 20,000 tonnes of whites but actually bought more than 80,000 tonnes. The resulting world market price rise took the London daily price up to $130 a tonne, the highest level since early July, but the price ended off the peak at $128.50, up $5.50 on balance.

Forecasts of a European production surplus this season puished potato futures prices lower on the London market. The April position ended £7.90 down at £75.70 a tonne after reaching £75.40 at one time.

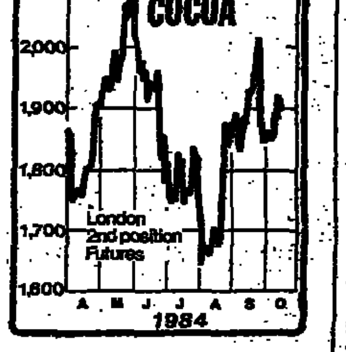
Traders said the surplus expectations were based on indicatons of higher yields in Britain and the Netherlands and a small cut in UK consumption.

London metal markets presented a mixed picture for the many visitors at the London Metal Exchange annual dinner this week, when producers and consumers get together to discuss next year's supply contracts.

Aluminium lost ground in spite of an increase in non-communist world stocks, announced on Wednesday, being less than generally expected. Speculative selling forced the three months quotation down to £815 at one stage before the market rallied to close yesterday at £824.5 a tonne, still £7.75 down a week ago.

Reports of improved consumer demand in the U.S. boosted copper. The three months higher grade quotation ended the week £20 up at £1,062.75 a tonne as some confidence returned to the market, encouraging speculative buying interest.

Tin prices moved very erratically. An official denial that Malaysia was planning to devalue quickly wiped out last Friday's suddent setback and moved the market to a higher point, as speculators were forced to cover previous sales. However the market came under renewed pressure and fell back sharply yesterday as the value of sterling strengthened. Standard grade three months tin lost £77.5 to £9,495 a tonne, £137.5 higher than a week ago.




## WEEKLY PRICE CHANGES

| | Latest prices per tonne unless stated | Ch'nge on week | Year ago | 1984 High | 1984 Low |
|---|---|---|---|---|---|
| **METALS** | | | | | |
| Aluminium | £1100 | | £1050 | £1100 | £1100 |
| Free Market | $1040/1070 | -35 | $1120/1130 | $1580/1620 | $1040/1070 |
| Antimony | | | | | |
| Free Market 99.6% | $3550/3650 | +25 | $1958/978 | $3575/3625 | $2450/2620 |
| Copper Cash High Grade | £1040.75 | +19.25 | £973 | £1101.25 | £945 |
| 3 months Do. Do. | £1062.75 | +20 | £995.75 | £1116.25 | £969.75 |
| Cash Cathode | £1041 | +21 | £970 | £1100.5 | £937.5 |
| 3 months Do. | £1061 | +30 | £970.5 | £1105.5 | £957 |
| Gold Per oz. | $341.75 | +0.75 | $399.25 | $405.75 | $335.5 |
| Lead Cash | £337.75 | +7.75 | £283.75 | £392.5 | £269.5 |
| 3 months | £342.75 | +9.75 | £294.75 | £397.87 | £276.5 |
| Nickel | £3355 | | £3546.34 | £3853 | £4830 |
| Free Market c.i.f. lb | 213/233c | +1 | 213/233c | 218/245c | 205/225c |
| Palladium per oz. | $140.50 | +1.5 | $148.50 | $162.25 | $129.00 |
| Platinum per oz. | £328.50 | +5 | £368.65 | $411.25 | $319.25 |
| Quicksilver (76 lbs) | $302/310 | | $320/330 | $315/318 | $290/300 |
| Silver per oz. | 580.30p | -28.50 | 698.00p | 672.70p | 529.10p |
| 3 months per oz. | 594.80p | -28.80 | 715.10p | 694.40p | 544.30p |
| Tin cash | £9590 | +170 | £8596.5 | £9917.5 | £8370 |
| 3 months | £9495 | +137.5 | £8660 | £9795 | £8517.5 |
| Tungsten Ind. | $85.67 | +0.4 | $77.23 | $82.55 | $76.43 |
| Wolfram (22.04 lb) | $84/87 | | $72/78 | $86/90 | $71/75 |
| Zinc cash | £617 | +5.5 | £572.5 | £797.5 | £593.5 |
| 3 months | £614.75 | +11.5 | £586.5 | £718.25 | £614.5 |
| Producers | $900 | | $860 | $1050/1050 | $900 |
| **GRAINS** | | | | | |
| Barley Futures | £110.80u | +1.00 | £119.75 | £133.55 | £105.65 |
| Maize French | | | £144.00 | £154.50 | £145.50 |
| **WHEAT Futures** | | | | | |
| Hard Winter Wheat | £110.60u | +0.15 | £132.40 | £130.50 | £105.55 |
| **SPICES** | | | | | |
| Cloves | £4,000w | | £6500 | £5,600 | £4,000 |
| Pepper, white | $3,000w | -275 | $6250 | $5,400 | $3,200 |
| black | $1,950w | -250 | $4830 | $3,350 | $1,800 |
| **OILS** | | | | | |
| Coconut (Philippines) | $1265w | | $890 | $1,575 | $900 |
| Groundnut | $815 | | | $1,180 | $880 |
| Linseed Crude | | | | $1,144 | |
| Palm Malayan | $635y | | $678 | $1,000 | $550 |
| **SEEDS** | | | | | |
| Copra (Philippines) | $720z | | $568 | $965 | $720 |
| Soyabeans (U.S.) | $284.5y | | $345.5 | $358.50 | $253 |
| **OTHER COMMODITIES** | | | | | |
| Cocoa Shipments § | £1,950 | +40 | £1,494 | £2,173 | £1,672 |
| Cocoa Futures Dec | £1,899.5 | +40.5 | £1,442.5 | £2103.5 | £1,699.5 |
| Coffee Futures Jan | £2,285.5 | +6 | £1,674.5 | £2,754 | £1,699.5 |
| Cotton Index | 72.75c | +1.1 | 90.15c | 91.10c | 73.55c |
| Des. Coconut | £1,230 | | £1,345 | £1,500 | £870 |
| Gas Oil Fut. Nov | £236.25 | -8.75 | $252.25 | $257.75 | $215.00 |
| Jute UA BWD grade | | | | $426 | $458 |
| Rubber kilo | 60p | -9 | 79p | 81p | 58.50p |
| Sago Pearl | £320w | — | £275 | £320 | £285 |
| Sisal No. 3L | $670x | — | $640/655 | $670 | $630 |
| Sugar (Raw) | $128.5 | +5.5 | £162.5 | $194 | $105 |
| Tapioca No. 1 | £320w | — | £315 | £320 | £295 |
| Tea (quality) kilo | 360p | +5 | 190p | 375p | 267p |
| (lowtm'd) kilo | 280p | +10 | 150p | 280p | 196p |
| Wooltops 64s Super | 467p kilo | -3 | 400p kilo | 477p kilo | 438p kilo |

# Unquoted. (g) Madagascar. § Ghana cocoa. (x) Sept-Oct. (w) Oct-Nov. (z) Nov-Dec. (y) Nov. (u) Jan.

## LONDON OIL

### SPOT PRICES

| | Latest | Change + or — |
|---|---|---|
| CRUDE OIL—FOB ($ per barrel) | | |
| Arabian Light | 27.80-27.90 | +0.05 |
| Dubai Fateh | 27.30-27.40 | — |
| Arab Heavy | 26.80-27.00 | -0.1 |
| North Sea (Forties) | 28.30-28.35 | -0.05 |
| North Sea (Brent) | 28.50-28.70 | -0.05 |
| African(BonnyLi'ht) | 28.90 | +0.05 |
| Urals | | |
| PRODUCTS—North West Europe "cif" ($ per tonne) | | |
| Premium gasoline | 261-264 | -1 |
| Gas Oil | 238-242 | -4.5 |
| Heavy fuel oil | 165-166 | — |

### GAS OIL FUTURES

| Month | Yest'day's close | + or — | Business Done |
|---|---|---|---|
| | $ U.S. per tonne | | |
| Oct. | 231.75 | -4.75 | 238.00-31.75 |
| Nov. | 236.25 | -4.25 | 239.75-36.00 |
| Dec. | 239.25 | -4.50 | 243.00-39.00 |
| Jan. | 239.50 | -2.00 | 245.00-39.75 |
| Feb. | 236.50 | -4.00 | 239.75-37.00 |
| March | 232.25 | -3.75 | 236.00-32.25 |
| April | 230.00 | -3.00 | 233.50-30.00 |

After opening about $1.50 down the gas oil market bounced briefly to the highs before easing down throughout the morning. The downward momentum increased after the re-opening as prices were pressured by softer physicals and a weaker New York, reports Premier Man.

Turnover: 3,844 (3,016) lots of 100 tonnes.

## GOLD MARKETS

Gold rose $2¼ an ounce from Thursday close in the London bullion market yesterday to finish at $341½-342. The metal opened at $337¼-337¾ and traded between a high of $342-342½ and a low of $337-337½. Trading was mostly quiet ahead of the weekend but prices dipped briefly on news of a 1.6 per cent rise in U.S. retail prices.

### LONDON FUTURES

| Month | Yest'days close | + or — | Business Done |
|---|---|---|---|
| | $ per troy ounce | | |
| Oct. | — | — | — |
| Dec | 348.20-45.80 | +1.70 | 345.80-42.00 |
| Feb. | 349.20 | — | 349.20 |
| April | — | — | — |
| June | — | — | — |
| Aug | — | — | — |

Turnover: 184 (138) lots of 100 troy ounces.

| Gold Bullion (fine ounce) | Oct. 12 | | Oct. 11 | |
|---|---|---|---|---|
| Close | $341½-342 | (£278½-279) | $339-339½ | (£276-276½) |
| Opening | $337¼-337¾ | (£275¼-276¼) | $338¼-338¾ | (£276¼-276¾) |
| Morning fixing | $337.90 | (£275.612) | $338.10 | (£276.451) |
| Afternoon fixing | $338.90 | (£275.910) | $338.10 | (£276.113) |

Gold and Platinum Coins Oct. 12

| | | | | | |
|---|---|---|---|---|---|
| Krugrnd | $351¼-352 | (£286½-287) | King Sov | $82-83½ | (£67-68) |
| ½Krug. | $181¼-182 | (£147¾-148½) | Victoria Sov | $82-83½ | (£67-68) |
| ¼Krug. | $92¼-93¼ | (£75½-76) | French 20s | $64¾-66¼ | (£52¾-54) |
| 1/10 Krug. | $37¾-38½ | (£30¾-31½) | 50 Pesos Mex | $419-420½ | (£341½-342¾) |

## BASE METALS

Amalgamated Metal Trading reported that in the morning cash Higher Grade traded at £1,034.5, 34, 33.5, three months £1,058, 58.5, 58, 57.5, 57, 56, 55.5, 55. Cathodes— Three months £1,063. Kerb— Higher Grade— Three months £1,055. Afternoon; Higher Grade Three months £1,060, 60.5, 61, 60.5, 60, 59.5, 62.5, 63, 62.5. Kerb: Higher Grade: Three months £1,062.5, 63, 63.5, 64, 63. Turnover: 35,700 tonnes. U.S. Producers: 61-65 cents a pound.

### COPPER

| COPPER | a.m. Official | + or — | p.m. Unofficial | + or —† |
|---|---|---|---|---|
| High Grde | £ | £ | £ | £ |
| Cash | 1033.5-4 | -1.5 | 1040.5-1 | +5.25 |
| 3 months | 1055-.5 | -4 | 1062.5-3 | +2 |
| Settlem't | 1034 | -1.5 | — | — |
| Cathodes | | — | | — |
| Cash | 1035-6 | -7.5 | 1042-4 | +2.5 |
| 3 months | 1053-4 | -4.5 | 1060-2 | +2 |
| Settlem't | 1036 | -8 | — | — |

### TIN

Tin — Morning: Standard: Three months £9,540, 35, 500, 9,490, 80, 90, 91, 90, 80, 90, 9,500. Kerb: Standard: Three months £9,490. Afternoon: Standard: Three months £9,490, 80, 90, 510, 9,500. Kerb: Standard: Three months £9,500, 490, 80, 75, 70, 65, 70, 75. Turnover: 3,475 tonnes.

| TIN | a.m. Official | + or — | p.m. Unofficial | + or —† |
|---|---|---|---|---|
| High Grde | £ | £ | £ | £ |
| Cash | 9590-600 | -96 | 9590-5 | -82.5 |
| 3 months | 9525-55 | -95 | 9520-30 | -80 |
| Settlem't | 9600 | -95 | — | — |
| Standard | | | | |
| Cash | 9556-65 | -85 | 9540-5 | -67.5 |
| 3 months | 9500-65 | -90 | 9490-600 | -77.5 |
| Settlem't | 9565 | -85 | — | — |
| Straits E. | $29.16 | | — | — |

### LEAD

Lead—Morning: Three months £341, 41.5, 41, 41.5. Kerb: Three months £341. Afternoon: Three months £341.5, 41, 42, 42.5, 43, 43.5, 44, 43.5, 43.75, 43.5. Kerb: Three months £343.5, 43, 44, 45. Turnover: 17,075 tonnes. U.S. Spot: 22-28 cents a pound.

| LEAD | a.m. Official | + or — | p.m. Unofficial | + or —† |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Cash | 335.5-6.5 | -1.5 | 337.5-8 | +1.25 |
| 3 months | 341-.5 | -2 | 343.5-.5 | +1.25 |
| Settlem't | 336.5 | -2 | — | — |

### ZINC

Zinc—HIGH GRADE OFFICIAL / UNOFFICIAL PRICES: Cash am £670-£671, pm £670-£690. Three months: am £653-£657, pm £657-£660; settlement £671. Morning: Cash £612, three months £613.5, 13, 12. High Grade: Cash £671. Kerb: Three months £611, 10, 11, 14. Afternoon: Three months £615, 16, 17, 18, 14, 15, 15.5, 16, 14.5. Kerb: Three months £616, 15. Turnover: 19,550 tonnes. U.S. Prime Western: 45.75 cents a pound.

| ZINC | a.m. Official | + or — | p.m. Unofficial | + or —† |
|---|---|---|---|---|
| | £ | £ | £ | £ |

### ALUMINIUM

Aluminium—Morning: Three months £825, 24, 23, 22, 21.5. Kerb: Three months £822, 22.5. Afternoon: Three months £824, 23, 22.5, 24, 23, 24. Kerb: Three months £824, 25, 26, 27. Turnover: 23,975 tonnes.

| Alumin'm | a.m. Official | + or — | p.m. Unofficial | + or —† |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Spot | 799-800 | -10 | 802-3 | -3 |
| 3 months | 821-5 | -2 | 824-5 | -4.25 |

### NICKEL

Nickel—Morning: Cash £3,860, three months £3,930, 25, 30, 35. Afternoon: Three months £3,935, 37, 38, 35. Kerb: Three months £3,395, 36, 38. Turnover: 630 tonnes.

| NICKEL | a.m. Official | + or — | p.m. Unoffical | + or —† |
|---|---|---|---|---|
| Spot | 3858-60 | +6.5 | 3885-60 | +15 |
| 3 months | 3925-35 | -4.5 | 3935-7 | +13.5 |

### SILVER

Silver was fixed 0.5p an ounce lower for spot delivery in the London bullion market yesterday at 580.30p. U.S. cent equivalents of the fixing levels were: spot 712.8c, up 1.1c; three-month 731.6c, up 0.8c; six-month 751.9c, up 1c; and 12-month 795.3c, up 1c. The metal opened at 580½-583½p (710-713c) and closed at 585½-588½p (730-733c).

| SILVER per troy | Bullion fixing price | + or — | L.M.E. p.m. Unoffial | + or — |
|---|---|---|---|---|
| Spot | 580.30p | -0.50 | 594.6p | +11.5 |
| 3 months | 594.80p | -0.70 | 609.95p | +11.2 |
| 6 months | 609.30p | -0.75 | — | — |
| 12months | 639.70p | -0.75 | — | — |

LME — (2,000 oz contract): Cash 594.5p (583p); three months 609.95p (598.75p). Turnover: 0 (0).

Turnover: 80 (49) lots of 10,000 ozs. Morning: Large 2nd ring three months 595.95. Kerb: large three months 596. Afternoon: large 1st ring three months 609.5p. Kerb: large three months 610. Kerb: large three months 609.5.

### COCOA

| COCOA | Yesterday's Close | + or — | Business Done |
|---|---|---|---|
| | £ per tonne | | |
| Dec | 1899-1900 | -11.0 | 1905-1879 |
| March | 1875-1877 | -4.5 | 1878-1856 |
| May | 1878-1879 | -6.0 | 1878-1859 |
| July | 1878-1879 | -5.0 | 1878-1860 |
| Sept | 1878-1880 | -4.0 | 1873-1865 |
| Dec | 1863-1864 | -4.5 | 1866 |
| March | 1850-1855 | -1.0 | 1855-1850 |

Sales: 3,044 (2,744) lots of 10 tonnes. ICCO indicator prices (U.S. cents per pound) Daily price for Oct 12: 102.78 (103.01); five-day average for Oct 15: 102.79 (102.42).

### GRAINS

Sept 98.25-98.10. Sales: 137 lots of 100 tonnes. Barley: Nov 107.10-7.00, Jan 110.80 only, March and May untraded. Sept 97.25 only. Sales: 106 lots of 100 tonnes.

| Mnth | WHEAT Yesterd'ys close | + or — | BARLEY Yesterd's close | + or — |
|---|---|---|---|---|
| Nov | 105.65 | +0.30 | 107.10 | — |
| Jan | 110.60 | +0.30 | 110.80 | — |
| Mar | 113.75 | +0.25 | 113.60 | — |
| May | 117.25 | +0.25 | 116.15 | — |
| July | 118.90 | +0.15 | — | — |
| Sept | 98.25 | +0.15 | 97.25 | +0.25 |

HGCA—Locational ex-farm spot prices. Feed barley: Eastern 101.30, E. Mids 103.20, N. East 104.00, Scotland 100.50. The UK monetary coefficient for the week beginning Monday October 15 is expected to remain unchanged.

LONDON GRAINS—Wheat: CWRS No 1 13½ per cent Oct 164.25. U.S. dark northern spring No 1 15 per cent Nov 154.50, Dec 156.50, Jan 161.25 transhipment east coast. U.S. No 2 soft red winter Nov 141.75, Dec 142.50, Jan 143.25. English feed fob Jan/Mar 114.50 east coast. Barley: English feed fob Oct 108.50 seller Boston. Rest unquoted.

### COFFEE

| COFFEE | Yesterday's Close | + or — | Business Done |
|---|---|---|---|
| Nov. | 2416-17 | +25.5 | 2428-75 |
| January | 2282-85 | +6.0 | 2285-70 |
| March | 2202-05 | +2.5 | 2211-190 |
| May | 2174-76 | -16.0 | 2180-76 |
| July | 2160-65 | -22.0 | 2168-50 |
| Sept. | 2150-60 | -20.5 | 2160-55 |
| Nov | 2145-60 | -22.0 | 2150-50 |

Sales: 2,395 (6,104) lots of 5 tonnes. ICO indicator prices (U.S. cents per pound) for October 11: Comp. daily 1979 135.31 (135.81); 15-day average 136.57 (136.90).

### PIGMEAT

| Month | Yesterdays close | Previous close | Business Done |
|---|---|---|---|
| | p. per kilo (deadweight) | | |
| Nov. | 127.30 | 126.00 | 128.00-26.00 |
| Feb. | 121.00 | 120.00 | 121.00-20.00 |
| April | 119.10 | 118.90 | 119.50-18.70 |
| June | 117.10 | 116.90 | 117.60-17.00 |
| Aug. | 115.10 | 114.90 | 115.20-14.80 |
| Oct. | 116.20 | 116.00 | 116.50-16.00 |

Sales: 131 (65) lots of 50 carcases 3,250 kg.

### POTATOES

| Month | Yesterday's close | Previous close | Business done |
|---|---|---|---|
| | £ per tonne | | |
| Nov. | 54.80 | 55.10 | 54.50-53.80 |
| Feb. | 63.50 | 62.00 | — |
| April | 75.70 | 76.20 | 76.50-75.40 |
| May | 81.70 | 81.00 | 81.80-80.70 |
| Nov. | 76.50 | 77.00 | — |

Sales: 555 (888) lots of 40 tonnes.

### RUBBER

PHYSICALS — The London market opened slightly steadier, attracted little interest throughout the day and closed slightly easier, reported Lewis and Peat. Malaysian godown price was 207 (204.75) cents a kg and for SMR 20 was 189.5 (188.0).

FUTURES—Close (buyer, seller, business). RSS No 1, £ per tonne. Nov 590, 600; Dec 600, 610, Jan 610, 625; Feb 620, 635; Mar 630, 645; April 630, 650; May 635, 655; June 635, 665; July 640, 675; 1985 Jan/Mar 610, 640; 1985 April/June 630, 655: (all untraded); 1985 July/Sept 660, 690, 690, 670. Sales: 0 lots of 5 tonnes, 5 lots of 15 tonnes.

### INDICES

FINANCIAL TIMES

| Oct. 11 | Oct. 10 | M'th ago | Year ago |
|---|---|---|---|
| 289.17 | 288.58 | 291.82 | 288.54 |

(Base: July 1 1952 = 100)

REUTERS

| Oct. 12 | Oct. 11 | M'th ago | Year ago |
|---|---|---|---|
| 1883.0 | 1884.0 | 1863.0 | 1900.6 |

(Base: September 18 1931 = 100)

DOW JONES

| Dow Jones | Oct. 10 | Oct. 9 | Month ago | Year ago |
|---|---|---|---|---|
| Spot | 123.37 | 123.04 | 126.03 | 140.27 |
| Fut | 126.80 | 126.62 | 127.14 | 147.18 |

(Base: December 31, 1974 = 100)

MOODY'S

| Oct. 11 | Oct. 10 | M'th ago | Year ago |
|---|---|---|---|
| 957.9 | 956.9 | 995.6 | 1051.5 |

(Base: December 31 1931 = 100)

### SOYABEAN MEAL

| | Yesterday's close | + or — | Business Done |
|---|---|---|---|
| | £ per tonne | | |
| October | 127.50-30.00 | +0.50 | 130.50-28.00 |
| December | 130.00-30.30 | +0.40 | 130.50-29.00 |
| February | 134.00-34.30 | +0.45 | 134.20-32.80 |
| April | 136.00-36.50 | +0.25 | 136.50-35.40 |
| June | 140.00-40.50 | +2.40 | 140.00 |
| August | 140.00-41.00 | +0.15 | — |
| October | 140.00-42.00 | — | — |

Sales: 39 (160) lots of 20 tonnes, 162 (0) lots of 100 tonnes.

### SUGAR

LONDON DAILY SUGAR—Raw sugar $128.50 (£105.00), up $2.50 (£2.00), a tonne for Oct-Nov delivery. White sugar $177.00, up $0c.

| No. 6 Con-tract | Yest'day's close | Previous close | Business done |
|---|---|---|---|
| | $ per tonne | | |
| Dec | 133.80-34.00 | 133.60-33.80 | 135.00-33.40 |
| Mar | 148.80-49.00 | 148.60-48.80 | 150.00-48.40 |
| May | 155.00-56.00 | 154.80-55.00 | 156.40-55.00 |
| Aug | 162.00-63.20 | 162.00-63.00 | 163.00-62.00 |
| Oct | 170.00-71.00 | 169.60-70.00 | 171.00-70.00 |
| Dec | 176.00-78.00 | 176.00-78.00 | — |
| Mar | 188.00-89.00 | 188.00-90.00 | — |

Sales: No 6 3,141 (2,665) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £210.50 (£208.00) a tonne for export.

## AMERICAN MARKETS

NEW YORK, October 12.

Precious metals rallied on short-covering and fresh buying interest reflecting an oversold condition, reports Heinold Commodities. Copper was firm on reports of better Far Eastern demand. Aluminium was up in sympathy with copper and precious metals. Sugar came under pressure from light long liquidation in response to the weather conditions in European beet area. Cocoa came under light pressure on the lower than expected West German and U.S. grind figures, but rallied on short-covering. Coffee showed a firm tone on good roaster buying interest. Cotton firmed in response to the USDA crop estimate which was lower than expected. The grain and soyabean complex rallied on lower-than-expected crop forecasts by USDA along with slack country movement. Continued good availability of cash supplies and slack demand due to above-normal temperatures again put heating oil under heavy selling pressure.

### NEW YORK

ALUMINIUM 40,000 lb, cents/lb

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Oct | 44.60 | — | — | 44.15 |
| Dec | 45.40 | 45.45 | 45.05 | 44.90 |
| Jan | 45.90 | — | — | 45.40 |
| March | 46.95 | — | — | 46.45 |
| May | 47.85 | 47.90 | 47.80 | 47.35 |
| July | 49.05 | 49.05 | 48.55 | 48.55 |
| Sept | 50.10 | 50.00 | 49.05 | 49.60 |
| Dec | 51.55 | — | — | 51.10 |
| Jan | 52.25 | — | — | 51.75 |
| March | 53.35 | — | — | 52.85 |

COCOA 10 tonnes, $/tonnes

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Dec | 2225 | 2220 | 2196 | 2223 |
| March | 2183 | 2190 | 2165 | 2177 |
| May | 2195 | 2225 | 2193 | 2190 |
| July | 2220 | 2240 | 2178 | 2204 |
| Sept | 2220 | — | — | 2209 |
| Dec | 2200 | 2200 | 2200 | 2200 |

COFFEE "C" 37,500 lb, cents/lb

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Dec | 136.75 | 137.55 | 134.50 | 134.75 |
| March | 134.25 | 34.25 | 33.10 | 33.26 |
| May | 133.08 | 133.08 | 32.20 | 32.25 |
| July | 132.21 | 32.05 | 31.20 | 31.58 |
| Sept | 131.21 | 31.01 | 30.00 | 30.45 |
| Dec | 129.25 | 30.00 | 29.50 | 29.50 |
| March | 128.57 | — | — | 28.57 |

COPPER 25,000 lb, cents/lb

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Oct | 56.55 | — | — | 56.10 |
| Nov | 56.90 | — | — | 56.45 |
| Dec | 57.20 | 57.65 | 56.85 | 56.75 |
| Jan | 57.85 | 57.80 | 57.60 | 57.30 |
| March | 58.85 | 58.95 | 58.50 | 58.30 |
| May | 59.85 | 59.90 | 59.50 | 59.40 |
| July | 60.90 | 60.90 | 60.45 | 60.45 |
| Sept | 61.85 | 61.80 | 61.35 | 61.40 |
| Dec | 63.20 | 62.55 | 62.55 | 62.85 |
| Jan | 63.70 | 63.00 | 63.00 | 63.30 |
| March | 64.60 | 64.30 | 64.30 | 64.05 |

COTTON 50,000 lb, cents/lb

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Oct | 65.45 | 65.40 | 65.38 | 65.15 |
| Dec | 65.65 | 66.15 | 65.60 | 65.35 |
| March | 67.42 | 67.60 | 67.25 | 66.97 |
| May | 68.35 | 68.65 | 68.30 | 67.92 |
| July | 69.05 | 69.50 | 69.00 | 68.80 |
| Oct | 69.80 | 69.80 | 69.80 | 69.50 |
| Dec | 70.00 | 70.35 | 70.00 | 70.00 |
| March | 70.70 | — | — | 70.40 |

CRUDE OIL (LIGHT) 42,000 U.S. gallons, $/barrels

| | Latest | High | Low | Prev |
|---|---|---|---|---|
| Nov | 29.11 | 29.21 | 29.02 | 29.28 |
| Dec | 29.08 | 29.10 | 28.94 | 29.20 |
| Jan | 28.95 | 28.95 | 28.85 | 29.04 |
| Feb | 28.90 | 29.00 | 28.90 | 29.15 |
| March | 28.85 | 28.85 | 28.75 | 28.90 |
| April | 28.85 | 28.85 | 28.85 | 28.87 |
| May | 28.85 | — | — | 28.90 |
| June | 28.85 | — | — | 28.95 |
| July | — | — | — | 29.15 |
| Aug | — | — | — | 29.20 |

GOLD 100 troy oz, $/troy oz

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Oct | 341.7 | 342.0 | 339.0 | 336.7 |
| Nov | 343.5 | — | — | 340.5 |
| Dec | 347.0 | 347.5 | 342.3 | 343.9 |
| Feb | 352.5 | 353.0 | 350.0 | 349.0 |
| April | 358.2 | 358.5 | 355.3 | 354.5 |
| June | 364.0 | 364.0 | 360.5 | 360.3 |
| August | 371.6 | — | — | 366.6 |
| Oct | 377.7 | 376.5 | 376.5 | 372.8 |
| Dec | 383.5 | 382.4 | 382.4 | 379.1 |
| Feb | 389.8 | — | — | 385.4 |
| April | 401.4 | — | — | 391.8 |
| June | 403.3 | — | — | 398.4 |
| August | 418.4 | — | — | 413.4 |

HEATING OIL 42,000 U.S. gallons, cents/U.S. gallons

| | Latest | High | Low | Prev |
|---|---|---|---|---|
| Nov | 78.80 | 79.60 | 78.70 | 79.68 |
| Dec | 79.90 | 80.90 | 79.80 | 81.00 |
| Jan | 80.30 | 81.20 | 80.20 | 81.40 |
| Feb | 80.55 | 81.15 | 80.25 | 80.65 |
| March | 77.40 | 77.90 | 77.30 | 78.05 |
| April | 77.00 | 77.00 | 76.75 | 76.95 |
| May | 75.75 | — | — | 75.70 |
| June | 75.25 | 75.25 | 75.25 | 75.45 |

ORANGE JUICE 15,000 lb, cents/lb

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Nov | 170.25 | 170.75 | 169.75 | 171.00 |
| Jan | 170.75 | 171.50 | 170.15 | 171.00 |
| March | 172.50 | 171.45 | 171.20 | 172.00 |
| May | 173.10 | 173.50 | 173.30 | 173.00 |
| July | 172.10 | 172.50 | 172.10 | 172.00 |
| Sept | 172.00 | — | — | 172.00 |
| Nov | 172.00 | — | — | 172.00 |
| Jan | 172.00 | — | — | 172.00 |

PLATINUM 50 troy oz, $/troy oz

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Oct | 329.6 | 329.0 | 320.0 | 316.7 |
| Nov | 328.6 | — | — | 322.2 |
| Jan | 335.5 | 335.0 | 329.0 | 319.3 |
| April | 343.2 | 343.5 | 338.0 | 324.2 |
| July | 351.7 | 349.5 | 344.0 | 341.4 |
| Oct | 360.4 | 356.0 | 356.0 | 350.0 |
| Jan | 369.1 | — | — | 358.6 |

SILVER 5,000 troy oz, cents/troy oz

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Oct | 733.2 | 730.0 | 730.0 | 709.5 |
| Nov | 738.2 | — | — | 714.5 |
| Dec | 743.5 | 746.0 | 728.0 | 720.0 |
| Jan | 750.2 | — | — | 726.0 |
| March | 763.9 | 766.0 | 748.0 | 739.0 |
| May | 777.3 | 779.0 | 761.0 | 754.0 |
| July | 792.1 | 790.0 | 778.0 | 767.9 |
| Sept | 807.3 | 794.0 | 792.0 | 782.8 |
| Dec | 831.7 | 825.0 | 816.0 | 807.0 |
| Jan | 840.0 | 840.0 | 840.0 | 815.2 |

SUGAR WORLD "11" 112,000 lb, cents/lb

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Jan | 5.21 | 5.50 | 5.21 | 5.36 |
| March | 6.50 | 6.87 | 6.38 | 6.69 |
| May | 6.20 | 6.40 | 6.20 | 6.49 |
| July | 6.50 | 6.70 | 6.48 | 6.87 |
| Sept | 6.77 | 6.97 | 6.77 | 6.97 |
| Oct | 7.02 | 7.20 | 7.00 | 7.19 |
| Jan | 7.40 | 7.72 | 7.60 | 7.67 |
| March | 8.01 | 8.20 | 8.01 | 8.15 |

### CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Oct | 62.62 | 62.92 | 62.52 | 62.52 |
| Dec | 64.67 | 64.87 | 64.57 | 64.77 |
| Feb | 65.27 | 65.55 | 65.15 | 65.00 |
| April | 66.27 | 66.57 | 66.10 | 66.47 |
| June | 66.55 | 66.85 | 66.45 | 66.90 |
| Aug | 64.65 | 64.90 | 64.45 | 65.10 |
| Oct | 63.10 | 63.60 | 63.00 | 63.60 |

LIVE HOGS 30,000 lb, cents/lb

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Oct | 45.20 | 45.57 | 45.10 | 45.40 |
| Dec | 47.72 | 47.90 | 47.55 | 47.70 |
| Feb | 49.57 | 49.80 | 49.37 | 49.42 |
| April | 46.47 | 46.75 | 46.40 | 46.35 |
| June | 49.60 | 49.90 | 49.60 | 49.35 |
| July | 50.57 | 50.85 | 50.40 | 50.20 |
| Aug | 49.10 | 49.10 | 48.85 | 48.85 |
| Oct | 46.40 | 46.75 | 46.35 | 46.25 |
| Dec | 46.75 | 46.75 | 46.75 | 46.45 |

MAIZE 5,000 bu min, cents/56-lb bushel

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Dec | 282.0 | 283.0 | 280.0 | 281.2 |
| March | 289.6 | 290.6 | 288.0 | 289.0 |
| May | 294.6 | 295.6 | 293.0 | 294.4 |
| July | 295.0 | 296.0 | 293.6 | 294.2 |
| Sept | 285.4 | 286.0 | 284.0 | 285.2 |
| Dec | 281.6 | 282.6 | 280.2 | 282.2 |
| March | 283.0 | 283.0 | 282.0 | 283.4 |

PORK BELLIES 38,000 lb, cents/lb

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Feb | 66.12 | 66.20 | 65.85 | 65.42 |
| March | 66.72 | 66.72 | 65.95 | 66.07 |
| May | 66.90 | 67.70 | 66.90 | 66.60 |
| July | 67.30 | 67.90 | 66.70 | 67.20 |
| Aug | 65.85 | 66.10 | 65.55 | 65.65 |

SOYABEANS 5,000 bu min, cents/60-lb bushel

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Nov | 623.2 | 625.0 | 617.0 | 620.0 |
| Jan | 638.2 | 639.4 | 632.0 | 635.6 |
| March | 651.2 | 651.4 | 644.0 | 647.0 |
| May | 660.2 | 661.0 | 654.0 | 659.2 |
| July | 665.2 | 666.0 | 660.0 | 662.4 |
| August | 667.2 | 668.0 | 662.4 | 665.0 |
| Sept | 657.4 | 657.4 | 650.0 | 654.0 |
| Nov | 657.2 | 657.0 | 650.4 | 651.2 |
| Jan | 668.4 | — | — | 665.0 |

SOYABEAN MEAL 100 tons, $/ton

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Oct | 150.6 | 151.3 | 149.5 | 149.2 |
| Dec | 152.4 | 157.7 | 155.5 | 154.7 |
| Jan | 160.5 | 160.5 | 158.5 | 157.5 |
| March | 164.5 | 166.4 | 164.5 | 162.5 |
| May | 168.0 | 168.5 | 165.5 | 167.3 |
| July | 172.5 | 172.5 | 169.0 | 170.2 |
| August | 173.5 | 173.7 | 171.5 | 171.5 |
| Sept | 175.5 | — | — | 172.0 |
| Oct | 172.0 | — | — | 172.0 |
| Dec | 174.0 | 174.0 | 173.0 | 172.5 |

SOYABEAN OIL 60,000 lb, cents/lb

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Oct | 28.87 | 28.75 | 27.85 | 27.51 |
| Dec | 26.12 | 26.20 | 25.72 | 25.72 |
| Jan | 25.30 | 25.43 | 25.12 | 25.05 |
| March | 25.08 | 25.20 | 24.85 | 24.87 |
| May | 24.95 | 25.00 | 24.95 | 24.52 |
| July | 24.85 | 24.95 | 24.5 | 24.32 |
| August | 24.55 | — | — | 24.00 |
| Sept | 23.75 | — | — | 23.85 |
| Oct | 23.55 | — | — | 23.25 |
| Dec | 22.55 | — | — | 22.70 |

WHEAT 5,000 bu min, cents/60-lb bushel

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Dec | 347.6 | 349.4 | 344.2 | 349.2 |
| March | 356.0 | 357.4 | 354.2 | 352.2 |

SPOT PRICES—Chicago loose lard 32.00 (same) cents per pound. New York tin ... (...) cents per pound.

# LONDON STOCK EXCHANGE

**MARKET REPORT**

# Gilt-edged respond strongly to pit strike moves
# Equities follow and index at highest since May 21

**Account Dealing Dates**

| Option *First Dealings | Declara- tions | Last Dealings | Account Day |
|---|---|---|---|
| Oct 1 | Oct 11 | Oct 12 | Oct 22 |
| Oct 15 | Oct 25 | Oct 26 | Nov 5 |
| Oct 29 | Nov 8 | Nov 9 | Nov 19 |

* "New-time" dealings may take place from 9.30 am two business days earlier.

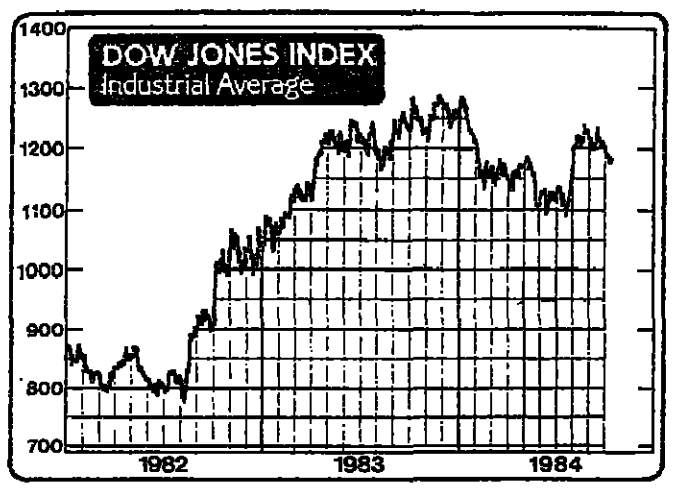
Developments in the miners' talks yesterday were greeted enthusiastically by investors in Government securities. Sensing the possibility of a settlement this weekend of the lengthy and acrimonious dispute, they quickly altered tack from being nervous sellers earlier in the week, institutional operators and private clients became avid buyers on the view that should their optimism over the Acas talks be fulfilled then the market would be likely to respond strongly.

Lower short-term interest rates and a better sterling exchange rate performance, particularly against Continental currencies, followed the miners' news. These factors along with firmer U.S. bond values, the result of a smaller-than-expected increase in money supply last week, contributed to the cheerful market scene.

In the early trade, however, conventional Gilts had stuttered because of the resumed demand for index-linked issues. The latter extended their relentless advance largely because of acute shortages of stock, but conventional issues took over around midday on reports about the Acas talks.

Longer-dated Gilts raced up a point and continued to improve in trade after the official close. The 3.30 pm announcement of new index-linked funding via the issue of £100m Treasury 2½ per cent 2003 and of £200m Treasury 2½ per cent 2016 brought only temporary respite for the sector and selected stocks still closed with fresh gains stretching to 1½ points. News of the latest RPI figures, which showed year-on-year inflation running at only 4.7 per cent, was brushed aside by investors.

Having recently moved against the Gilt-edged trend, equities were naturally less responsive but some leading issues still showed useful gains. BOC were high on investors' buying lists, while ICI, Hanson Trust and Blue Circle continued to attract above-average support. Being constituents of the FT Industrial Ordinary share index, the strength of these four stocks




helped the measure close 5.4 up at the session's best of 876.0. This represents a gain of 12.8 over the week to the highest level since May 21.

The latest building issue, Kingdom of Sweden 11 per cent 2012, opened at a small discount which was surprising in view of the £100m issue's oversubscription on application. In £20-paid form, the stock touched 19½ before encountering sustained demand which took the price up to 20½ prior to a close of 20¼.

Slough Estates 11 per cent Debenture fetched a premium in first-time dealings and, in £20-paid form, settled at 20¼.

## CU retreat

Commercial Union fell 8 to 185p as speculative bull positions were liquidated in the absence of the rumoured bid, or sale of CU's U.S. interest. Other Composites also gave ground on end-Account offerings. General Accident eased 3 to 490p and Royals dropped 8 to 485p. Elsewhere, Hambro Life lost 10 to 408p, after 405p, reflecting adverse comment on the interim results.

Bank of Scotland attracted speculative support and jumped 12 to 400p in an otherwise lethargic bank sector; Royal Bank of Scotland firmed 5 to 235p in sympathy. The major clearers closed mixed, Barclays closed a couple of pence easier but still 15 higher on the week at 515p; rights issue fears have been allayed this week by the announcement that the bank is to issue $500m of floating rate notes. Elsewhere, Gerrard and National closed 3 down at 300p; the group is to set up a joint company with stockbrokers James Capel with a view to become an authorised market maker in gilt-edged securities. Mercury Securities declined 7 more—a decline on the week of 42—to 403p since sentiment was soured by comment on the financial implications of the four-way merger involving stockjobbers Akroyd and Smithers and stockbroking concerns Rowe and Pitman and Mullens.

There was a resurgence of interest in Building shares and gains were evident throughout the sector. Among the leaders, sudden demand for BPB Industries found the market short of stock and the close was a net 12 higher at 265p. Tarmac rose 12 to 470p on news that a consortium in which it has a stake had won a £100m sewage contract in Cairo. RMC drew fresh support and firmed 8 to 370p and Blue Circle revived with a gain of 9 to 432p. Elsewhere, John Laing firmed 6 to 192p, while Bryant Holdings added 2 to 83p ahead of Monday's annual results. Ibstock Johnsen continued to reflect the excellent interim statement and rose 5 to 273p for a gain on the week of 35, while Ruberoid rallied 8 to 208p on second thoughts about the first-half figures. Among Timbers, Meyer International attracted buying interest on vague takeover rumours and gained 10 to 124p. Against the trend, John Mowlem fell 10 to 194p following lower-than-expected interim profits, while Turriff shed 9 to 238p on the cautious statement that accompanied the half-yearly figures. The reduced half-year loss and optimistic statement failed to sustain Allied Plant, a fraction cheaper at 17p.

Three factors combined to boost the price of market bellweather ICI: comment on the group's overseas earnings potential, a good performance by the shares on Wall Street overnight and most significantly demand ahead of the third-quarter figures due on October 25, lifted the shares 10 to a 1984 peak of 652p.

## Fraser volatile

Subdued for most of the session, business in leading Stores improved appreciably after-hours. Down to 284p at one stage in the absence of news concerning the rumoured sale of Lonrho's near-30 per cent stake, House of Fraser attracted lively support for the new Account and closed only 2 cheaper on balance at 290p. Lonrho eased 3 to 154p. Woolworth were again wanted and hardened 9 to record a five-day advance of 26 at 536p, while Burton recovered from an earlier 306p to close a net 5 dearer at 312p. In contrast, Raybeck were an outstanding dull feature, falling to 22p in immediate reaction to the exceptionally disappointing interim statement before settling only 2 off on balance at 25p.

For the second consecutive trading session, business in secondary Stores centred on mail-order concern Empire; down to 86p following a bearish view from brokers Phillips and Drew in the wake of the interim figures, the shares rallied to finish only 2 lower on balance at 90p on the announcement that Mr Robert Maxwell's Pergamon Press paid an undisclosed sum for 2.8m shares, or 6.15 per cent of Empire's equity, previously held by Sears Holdings. Elsewhere, the disappointing interim figures continued to weigh heavily on House of Lerose which slumped 7 more for a fall on the week of 25 at 113p. Allebone, on the other hand, hardened 1½ to 39½p following the first-half profits recovery and resumed interim dividend. Stirling firmed 5 to 190p following publicity given to a circular from brokers Panmure Gordon.

Interest in the Electrical leaders remained at a fairly low ebb although Thorn EMI attracted revived demand and finished 7 to the good at 427p. Elsewhere, MK advanced 10 to 290p: the interim results are due early next month. Renishaw continued firmly at 295p, up 7, and Dubilier closed 6 higher at 164p.

Specialist Engineerings experienced their busiest day for some time as buyers, sensing that the protracted miners' dispute could soon be over, chased prices higher. Victor Products jumped 11 to 98p. Dowty rose 8 to 185p and James Neill firmed 5 to 107p. B. Elliott gained 4½ to 46½p as did IMI, to 87½p, while Evered put on 4 to 138p. Westland jumped 12 to 140p on news of the £65m Indian helicopter order. Elsewhere, Davy Corporation met with revived support and firmed 5 to 84p, while 600 Group added 4 at 81p in response to Press comment. Buying of Hawker continued ahead of Wednesday's half-year results and the close was 5 dearer—26 better on the week—at 459p. Vickers put on 4 to 183p and GKN hardened the turn to 172p.

A firm and active sector in the wake of Unilever's successful revised bid for Brooke Bond, Foods traded on a calmer note. With the odd exception, leading stocks closed virtually unchanged. Elsewhere, Avana continued to attract support amid takeover rumours and rose 19 for a two day gain of 36 to 489p. Buying ahead of Monday's annual results lifted Albert Fisher 5 to 111p.

## BOC improve

Miscellaneous industrial leaders were featured by BOC which jumped 9 to 243p in response to Press comment. Still reflecting a chart "buy" signal, U.S. favourite Hanson Trust improved 6 more to 252p, while Reed International advanced 10 to 476p, after 480p, following buying ahead of the results scheduled for early next month. A strong market of late and heavily traded in the traded option market behind rumours of Arab interests acquiring the Ritz Hotel for £60m, Trafalgar House flared up again and closed 6 to the good at 311p. Elsewhere, Associated British Ports put on 10 to 200p on hopes of an early end to the pits' dispute, while Dobson Park firmed 4½ to 78p for the same reason. Eastern Produce found support at 282p, up 9, and improvements of 11 and 17 respectively were seen in Wolseley Hughes, 508p, and James Wilkes, 195p. Dominion International gained 3 to 97p and Equipu rose 4 to 174p following Press comment, while Nolton moved up 3 to 53p in reply to impressive annual results. Vinten, on the other hand, dropped 27 to 268p on reports of a broker's downgraded profits forecast. Reflecting fears that the Bank of England's lifeboat rescue of Johnson Mathey Bankers could still run into trouble and prompt a call for shareholders' cash, Johnson Mathey softened 2 to 108p. Polymark came on offer at 10p, down 2.

DRG continued to attract a lively busines and rose 6 for a week's gain of 27 at 180p as buyers were again encouraged by persistent talk of a pending offer from U.S. sources. Bunzl, once suggested as a possible suitor for DRG, advanced 7 more to 355p. Late support was evident for advertising agencies with Wight Collins Rutherford Scott 10 up at 260p, and Geers Gross 4 to the good at 134p. Among Publishers, Websters remained an uncertain market and eased 4 more to a 1984 low of 84p

The emphasis in Properties switched to secondary counters following the Government's proposed plan to relax rent controls on private rented housing. Residential property developers were particularly boosted and Daejan moved up 15 to 315p, while Mountview Estates gained 20 to 335p. Interest elsewhere centred on potential merger or take-over candidates. Rumours that the two groups may be contemplating a possible merger sparked off support for Warner Estate and Bradford Property; the former touched 505p prior to closing a net 15 up at 500p, while the latter climbed 23 to a 1984 peak of 345p. M. P. Kent, which surged to 66p in late dealings on Thursday on news that the company was in bid discussions, attracted a lively trade and closed a penny dearer at 67p, after 60p; the company revealed poor annual results yesterday. Bath and Portland, in which M. P. Kent holds a 18.1 per cent stake, gained 14 to a 1984 peak of 193p. Marler Estates met with late demand and rose 9 to 117p. Peachey hardened 3 more to 235p ahead of Tuesday's annual results, but Land Securities, a good market recently, were unchanged at 310p; the latter have risen 17 this week.

Mercantile House fell 8 to 284p, after 280p, following poor quarterly figures from its Oppenheimer stockbroking subsidiary.

## Atlantic Res. weak

Attention in Oils again centred on the Irish exploration issues. Recent speculative favourite Atlantic Resources moved narrowly for most of the session, but attracted heavy selling pressure after-hours and fell away sharply to close a net 22 lower at 98p. Eglinton Oil closed a dismal week with a 6 rally to 83p following news that the company's latest well in Colombia is drilling ahead; rumours that the well had failed to encounter hydrocarbons lowered Eglinton's shares by 26 on Thursday. Among other Irish stocks Bryson, which is also currently drilling for oil in Colombia, dipped 15 more to 255p, leaving the shres 75 lower over the week.

Lack of interest left leading Oils with modest losses. Shell slipped back to close 9 off at 657p and BP eased 7 to 488p. Burmah Oil continued to edge higher amid persistent bid speculation and hardened 2 more to 200p. Further heavy buying, thought to have been on behalf of Carless Capel, boosted Premier Consolidated 2 to 65½; on Thursday Carless bought 1.25m Premier at 62p following the extension of its share exchange offer to October 17.

Plantations featured Anglo-Indonesian which advanced 20 to 205p; the interim figures are scheduled for Thursday.

## Golds dip and rally

A poor showing by the bullion price in New York overnight depressed South African Golds at the outset of trading. Little selling pressure developed, however, and quotations held at around their opening levels until the mid-afternoon. American buying of bullion then encouraged a minor flurry of bear-covering and speculative buying, which left most issues well above the day's lowest levels.

Bullion dipped to $334 in the U.S. overnight, but gradually improved in London to touch $343 before settling a net $2.5 up at $341.75 an ounce. The Gold Mines index dipped 8.2 to 548.0, extending the decline over the week to one of 27.9.

Leading Golds showed Vaal Reefs £¾ off at £80½. Southvaal and Randfontein were around a point lower at £38¾ and £96¾ respectively. The Anglo American gold mines in the Orange Free State attracted modest support from Johannesburg ahead of the dividends due next week, but closed with widespread falls. Free State Geduld dipped a half-point to £25½ and Western Holdings a like amount to £29¾. Next week brings the gold mines' quarterly reporting season to a close with results due from the mines in the Rand Mines, Anglovaal, Johnnies, Gencor and Anglo American groups.

Financials moved similarly to Golds. In the South African sector Gold Fields of South Africa closed ¾ cheaper at £13¾, and De Beers fell 5 more to 405p.

Australians were marked up at the outset, responding to good gains in overnight Sydney and Melbourne markets as well as the firm showing by Wall Street. Little interest ensued, but prices maintained their initial levels for the rest of the day and edged higher after-hours, boosted by the rally in bullion.

Traded Options attracted 5,145 contracts bringing the week's daily average to 3,879. Operators displayed renewed enthusiasm for Trafalgar House positions with 855 calls struck, 260 in the October 280's, and 109 puts. Lonrho, benefiting from fresh rumours surrounding its stake in House of Fraser, attracted 717 calls, the November 140's accounting for 198.

## FINANCIAL TIMES STOCK INDICES

| | Oct. 12 | Oct. 11 | Oct. 10 | Oct. 9 | Oct. 8 | Oct. 5 | Year ago |
|---|---|---|---|---|---|---|---|
| Government Secs. | 80.95 | 80.46 | 80.70 | 80.76 | 80.98 | 81.00 | 81.10 |
| Fixed Interest | 84.94 | 84.50 | 84.52 | 84.71 | 84.77 | 84.70 | 84.46 |
| Industrial Ord. | 876.0 | 870.6 | 866.8 | 866.2 | 866.8 | 863.2 | 678.6 |
| Gold Mines | 548.0 | 556.2 | 556.9 | 557.6 | 561.9 | 575.9 | 581.1 |
| Ord. Div. Yield | 4.83 | 4.86 | 4.88 | 4.88 | 4.84 | 4.86 | 4.98 |
| Earnings, Yld.% (full) | 11.53 | 11.60 | 11.65 | 11.65 | 11.55 | 11.56 | [illegible] |
| P/E Ratio (net) | 10.40 | 10.34 | 10.29 | 10.29 | 10.40 | 10.39 | [illegible] |
| Total bargains (Est.) | 16,611 | 16,765 | 16,848 | 19,488 | 18,290 | 18,176 | [illegible] |
| Equity turnover £m. | — | 388.42 | 378.67 | [illegible] | [illegible] | [illegible] | [illegible] |
| Equity bargains | — | 18,703 | 15,450 | 16,609 | 16,471 | 16,051 | 19,892 |
| Shares traded (ml) | — | 255.2 | 258.2 | 141.4 | 129.7 | 185.3 | 178.8 |

10 am 872.8. 11 am 873.2. Noon 874.6. 1 pm 872.8.
2 pm 874.4. 3 pm 874.6.

Basis 100 Govt. Secs. 15/2/26. Fixed Int. 1928. Industrial 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.

Nil = 9.99.

## HIGHS AND LOWS

## S.E. ACTIVITY

| | 1984 High | 1984 Low | Since Compilat'n High | Since Compilat'n Low |
|---|---|---|---|---|
| Govt. Secs | 83.77 | 75.72 | 127.4 | 49.18 |
| Fixed Int. | 87.48 | 80.43 | 155.4 | 50.53 |
| Ind. Ord. | 922.8 | 755.3 | 922.8 | 49.4 |
| Gold Mines | 711.7 | 485.7 | 734.7 | 43.5 |

| | Oct. 11 | Oct. 10 |
|---|---|---|
| Daily Gilt Edged Bargains | 141.4 | 147.0 |
| Equities Bargains | 121.2 | 105.8 |
| Value | 786.1 | 768.4 |
| 5-day Average Gilt Edged Bargains | 150.8 | 149.8 |
| Equities Bargains | 109.2 | 105.4 |
| Value | 637.0 | 585.7 |

## LEADERS AND LAGGARDS

Percentage changes since December 30, 1983, based on Thursday, October 11, 1984.

| | | | |
|---|---|---|---|
| Tobaccos | +41.02 | Textiles | +14.46 |
| Insurance Brokers | +33.80 | All-Share Index | +14.17 |
| Health and H'sehold Products | +29.98 | Capital Goods | +12.90 |
| Office Equipment | +27.50 | Investment Trusts | +11.67 |
| Mechanical Engineering | +23.71 | Financial Group | +11.10 |
| Overseas Traders | +21.14 | Motors | +7.51 |
| Newspapers, Publishing | +19.92 | Banks | +7.09 |
| Food Retailing | +18.61 | Shipping and Transport | +5.84 |
| Discount Houses | +18.38 | Other Consumer | +4.85 |
| Electronics | +18.30 | Building Materials | +3.98 |
| Insurance (Composite) | +18.30 | Insurance (Life) | +3.93 |
| Food Manufacturing | +18.19 | Chemicals | +3.10 |
| Consumer Group | +17.76 | Leisure | +3.10 |
| Other Industrial Materials | +17.37 | Mining Finance | -1.10 |
| Packaging and Paper | +17.12 | Contracting, Construction | -1.74 |
| Oils | +16.98 | Gold Mines Index | -2.83 |
| 50-Share Index | +16.92 | Electricals | -4.57 |
| Industrial Group | +15.78 | Stores | -5.13 |
| Brewers and Distillers | +15.49 | Metals and Metal Forming | -11.46 |
| Other Groups | +14.96 | Merchant Banks | -18.11 |
| Property | +14.93 | | |

## NEW HIGHS AND LOWS FOR 1984

NEW HIGHS (118)

BRITISH FUNDS (14)
INT BANK & O'SEAS GOVT STLG ISSUES (1)
AMERICANS (6)
CANADIANS (1)
BANKS (1)
BUILDINGS (5)
CHEMICALS (1)
STORES (3)
ELECTRICALS (6)
ENGINEERING (8)
FOODS (4)
HOTELS (2)
INDUSTRIALS (18)
INSURANCE (4)
MOTORS (3)
PAPER (3)
PROPERTY (12)
TEXTILES (4)
TRUSTS (14)
OILS (4)
PLANTATIONS (1)

NEW LOWS (23)

BRITISH FUNDS (1)
Treas 15pc 1985
CANADIANS (1)
Pacific Res
BANKS (2)
Goode Durrant & Mercury Securities
STORES (2)
House of Lerose Raybeck
ELECTRICALS (1)
Wordplex
FOODS (1)
Bio-Isolates Home Farm Products
INDUSTRIALS (8)
[illegible]
LEISURE (1)
[illegible]
NEWSPAPERS (1)
Websters Group
OILS (1)
[illegible]
OVERSEAS TRADERS (1)
Nesco Inv
PLANTATIONS (1)
[illegible]
MINES (1)
Malaysia Mining

## RECENT ISSUES

## EQUITIES

| Issue price p | Amount paid up | Latest Renunc. date | 1984 High | 1984 Low | Stock | Closing price p | + or − | Net Div. | Times covered | Gross yield | P/E ratio |
|---|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

## FIXED INTEREST STOCKS

| Issue price £ | Amount paid up | Latest Renunc. date | 1984 High | 1984 Low | Stock | Closing price £ | + or − |
|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

## "RIGHTS" OFFERS

| Issue price p | Amount paid up | Latest Renunc. date | 1984 High | 1984 Low | Stock | Closing price p | + or − |
|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1985. H Dividend and yield based on prospectus or other official estimates for 1984. Q Gross. p Pence unless otherwise indicated. † Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶ Issued in connection with reorganisation, merger or take-over. ■ Allotment letters (or fully-paid). □ Introduction.

# FT-ACTUARIES SHARE INDICES

**These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries**

Figures in parentheses show number of stocks per section

| | EQUITY GROUPS & SUB-SECTIONS | Fri Oct 12 1984 Index No. | Day's Change % | Est. Earnings Yield% (Max.) | Gross Div. Yield% (ACT at 30%) | Est. P/E Ratio (Net) | Thur Oct 11 Index No. | Wed Oct 10 Index No. | Tues Oct 9 Index No. | Mon Oct 8 Index No. | Year ago (approx.) Index No. | 1984 High | 1984 Low | Since Compilation High | Since Compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | CAPITAL GOODS (205) | 533.64 | +0.9 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 2 | Building Materials (23) | 475.58 | +2.6 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 3 | Contracting, Construction (30) | 675.59 | +0.4 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 4 | Electricals (13) | 1563.38 | -0.1 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 5 | Electronics (34) | 1596.98 | +0.5 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 6 | Mechanical Engineering (62) | 266.56 | +1.3 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 8 | Metals and Metal Forming (9) | 159.74 | +1.3 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 9 | Motors (17) | 135.96 | +0.6 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 10 | Other Industrial Materials (17) | 712.46 | +0.5 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 21 | CONSUMER GROUP (190) | 545.62 | +0.3 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 22 | Brewers and Distillers (23) | 507.12 | -0.2 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 25 | Food Manufacturing (21) | 434.57 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 26 | Food Retailing (11) | 1285.25 | +0.1 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 27 | Health and Household Products (9) | 925.18 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 29 | Leisure (23) | 585.51 | +0.3 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 32 | Newspapers, Publishing (13) | 1304.69 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 33 | Packaging and Paper (14) | 259.56 | +1.1 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 34 | Stores (46) | 479.54 | +0.8 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 35 | Textiles (19) | 286.44 | +0.4 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 36 | Tobaccos (3) | 736.42 | +0.7 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 39 | Other Consumer (8) | 479.28 | -0.1 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 41 | OTHER GROUPS (88) | 490.97 | +1.1 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 42 | Chemicals (17) | 659.47 | +1.3 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 44 | Office Equipment (4) | 139.53 | +0.1 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 45 | Shipping and Transport (13) | 859.92 | +0.8 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 46 | Miscellaneous (54) | 687.75 | +0.9 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 49 | INDUSTRIAL GROUP (483) | 538.93 | +0.6 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 51 | Oils (17) | 1096.47 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 59 | 500 SHARE INDEX (500) | 585.08 | +0.5 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 61 | FINANCIAL GROUP (118) | 400.64 | -0.2 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 62 | Banks (6) | 401.83 | +0.3 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 65 | Discount Houses (6) | 442.85 | -0.2 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 66 | Insurance (Life) (9) | 519.24 | -0.7 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 67 | Insurance (Composite) (8) | 289.03 | -1.7 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 68 | Insurance (Brokers) (6) | 861.69 | -0.3 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 69 | Merchant Banks (12) | 198.10 | -0.2 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 70 | Property (54) | 622.86 | +0.8 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 71 | Other Financial (17) | 250.33 | -0.7 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 81 | Investment Trusts (105) | 539.58 | +0.1 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 91 | Mining Finance (4) | 281.65 | -0.6 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 91 | Overseas Traders (14) | 606.90 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 99 | ALL-SHARE INDEX (741) | 538.25 | +0.2 | — | 4.66 | — | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| | Index No. | Day's Change | Day's High | Day's Low | Thur Oct 11 | Wed Oct 10 | Tues Oct 9 | Mon Oct 8 | Year ago | 1984 High | 1984 Low | Since Compilation High | Since Compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 SHARE INDEX | 1143.7 | +2.4 | 1143.7 | 1137.7 | 1141.3 | 1136.5 | 1136.6 | 1139.0 | — | 1144.2 27/9 | 986.9 23/7 | 1144.2 27/9/84 | 986.9 23/7/84 |

## FIXED INTEREST

| | PRICE INDICES | Fri Oct 12 | Day's change % | Thur Oct 11 | xd adj. today | xd adj. 1984 to date |
|---|---|---|---|---|---|---|
| | British Government | | | | | |
| 1 | 5 years | 116.51 | +0.27 | 116.20 | — | 9.13 |
| 2 | 5-15 years | 128.90 | +0.73 | 127.96 | — | 11.16 |
| 3 | Over 15 years | 138.22 | +0.83 | 137.08 | — | 10.23 |
| 4 | Irredeemables | 150.67 | +0.89 | 149.33 | — | 8.90 |
| 5 | All stocks | 127.73 | +0.59 | 126.98 | — | 10.36 |
| 6 | Debentures & Loans | 108.17 | +0.17 | 107.98 | — | 8.20 |
| 7 | Preference | 75.24 | +0.13 | 75.14 | — | 5.55 |
| | BRITISH GOVERNMENT INDEX-LINKED STOCKS | | | | | |
| 8 | All stocks | 109.19 | +1.13 | 107.97 | — | 2.25 |

| | AVERAGE GROSS REDEMPTION YIELDS | | Fri Oct 12 | Thur Oct 11 | Year ago (approx.) | 1984 Highs | | 1984 Lows | |
|---|---|---|---|---|---|---|---|---|---|
| | British Government | | | | | | | | |
| 1 | Low Coupons | 5 years | 11.05 | 11.12 | 9.87 | 12.82 | 30/7 | 9.24 | 17/1 |
| 2 | | 15 years | 10.51 | 10.60 | 10.21 | 11.65 | 30/7 | 9.88 | 9/1 |
| 3 | | 25 years | 10.11 | 10.17 | 9.95 | 10.98 | 27/7 | 9.63 | 9/1 |
| 4 | Medium Coupons | 5 years | 11.58 | 11.66 | 11.27 | 13.13 | 30/7 | 10.49 | 13/3 |
| 5 | | 15 years | 10.89 | 11.00 | 10.65 | 12.20 | 30/7 | 10.41 | 9/1 |
| 6 | | 25 years | 10.26 | 10.36 | 10.48 | 11.53 | 27/7 | 9.87 | 9/1 |
| 7 | High Coupons | 5 years | 11.58 | 11.71 | 11.36 | 13.36 | 30/7 | 10.62 | 6/3 |
| 8 | | 15 years | 11.06 | 11.16 | 11.29 | 12.30 | 30/7 | 10.63 | 9/1 |
| 9 | | 25 years | 10.37 | 10.45 | 10.61 | 11.47 | 23/7 | 9.98 | 9/1 |
| 10 | Irredeemables | | 9.91 | 10.00 | 9.93 | 10.59 | 30/7 | 9.57 | 13/3 |
| 11 | Debs & Loans | 5 years | 12.10 | 12.16 | 12.13 | 12.99 | 1/8 | 11.18 | 22/3 |
| 12 | | 15 years | 11.95 | 11.97 | 12.03 | 12.80 | 30/7 | 11.29 | 29/3 |
| 13 | | 25 years | 11.73 | 11.79 | 11.81 | 12.65 | 30/7 | 10.99 | 29/3 |
| 14 | Preference | | 13.05 | 13.07 | 12.47 | 13.44 | 17/7 | 11.90 | 7/3 |
| 15 | Inflation rate | 5% | 3.38 | 3.39 | 3.15 | 4.02 | 30/7 | 3.16 | 4/1 |
| 16 | | 10% | 3.10 | 3.21 | 2.95 | 3.82 | 30/7 | 2.99 | 4/1 |

| Equity section or group | Base date | Base value | Equity section or group | Base date | Base value |
|---|---|---|---|---|---|
| Other Industrial Materials | 31/12/80 | 287.41 | Food Manufacturing | 29/12/67 | 114.13 |
| Other Consumer | 31/12/80 | 238.14 | Food Retailing | 29/12/67 | 114.13 |
| Health/Household Products | 30/12/77 | 261.77 | Insurance Brokers | 29/12/67 | 96.67 |
| Other Groups | 31/12/74 | 63.75 | Mining Finance | 29/12/67 | 100.00 |
| Overseas Traders | 31/12/74 | 100.00 | All Other | 10/04/62 | 100.00 |
| Electronics | 30/12/83 | 1646.65 | British Government | 31/12/75 | 100.00 |
| Mechanical Engineering | 31/12/71 | 153.84 | Do. Index-linked | 30/04/82 | 100.00 |
| Office Equipment | 16/01/70 | 152.74 | Debs. & Loans | 31/12/77 | 100.00 |
| Industrial Group | 31/12/70 | 128.20 | Preference | 31/12/77 | 76.72 |
| Other Financial | 31/12/70 | 128.06 | FT-SE 100 Index | 30/12/83 | 1000.00 |

## RISES AND FALLS

| | Yesterday Rises | Yesterday Falls | Yesterday Same | On the week Rises | On the week Falls | On the week Same |
|---|---|---|---|---|---|---|
| British Funds | 97 | 2 | 6 | 197 | 216 | 102 |
| Corpns. Dom. and Foreign Bonds | 24 | 3 | 53 | 63 | 55 | 274 |
| Industrials | 312 | 209 | 889 | 1,419 | 1,004 | 4,631 |
| Financial and Props. | 125 | 73 | 329 | 560 | 330 | 1,750 |
| Oils | 30 | 27 | 70 | 108 | 140 | 387 |
| Plantations | 5 | 3 | 10 | 12 | 19 | 59 |
| Mines | 14 | 56 | 110 | 132 | 271 | 497 |
| Others | 50 | 35 | 75 | 343 | 216 | 380 |
| Totals | 665 | 408 | 1,540 | 2,834 | 2,251 | 8,080 |

## ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

| Stock | Closing price | Day's change | Stock | Closing price | Day's change |
|---|---|---|---|---|---|
| Aran Energy | 52 | [illegible] | Hanson Trust | 252 | +6 |
| Assoc. Brit. Ports | 200 | +10 | ICI | 652 | +10 |
| BTR | [illegible] | [illegible] | Kent (M. P.) | 67 | +1 |
| Atlantic Resources | 98 | -22 | Barclays Bank | 515 | -2 |
| Commercial Union | 185 | -8 | Reed International | 476 | +10 |
| DRG | 180 | +6 | 600 Group | 81 | +4 |
| Eglinton Oil and Gas | 83 | +6 | Trafalgar House | 311 | +6 |

## THURSDAY'S ACTIVE STOCKS

Based on bargains over the five-day period ending Thursday.

| Stock | No. of changes | Thurs. close | Change on day | Stock | No. of changes | Thurs. close | Change on day |
|---|---|---|---|---|---|---|---|
| DRG | [illegible] | 174 | +18 | Midland Bank | [illegible] | [illegible] | [illegible] |
| Glaxo | [illegible] | 970 | -10 | Addison Comms | [illegible] | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] | [illegible] | Barclays Bank | [illegible] | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] | [illegible] | Bailey (C.H.) | [illegible] | [illegible] | [illegible] |
| Comm. Union | [illegible] | [illegible] | [illegible] | BP | [illegible] | [illegible] | [illegible] |
| Shell Trans. | [illegible] | [illegible] | [illegible] | Jehan Mathey | [illegible] | [illegible] | [illegible] |
| Grant Met | [illegible] | [illegible] | [illegible] | | | | |

* Based on Monday's opening price.

## 5-DAY ACTIVE STOCKS

Based on bargains recorded in SE Official List

| Stock | No. of changes | Thurs. close | Day's change | Stock | No. of changes | Thurs. close | Day's change |
|---|---|---|---|---|---|---|---|
| Lonrho | [illegible] | [illegible] | [illegible] | BSG Int | [illegible] | [illegible] | [illegible] |
| DRG | [illegible] | [illegible] | [illegible] | Britannia Arrow | [illegible] | [illegible] | [illegible] |
| Hanson Trust | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Bailey (C. H.) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] | [illegible] | Midland Bank | [illegible] | [illegible] | [illegible] |

هكذا عمل الكل

# STOCK EXCHANGE DEALINGS

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated, denominations are 25p and prices are in pence. The prices are those at which the business was done in the 24 hours up to 3.30 pm on Thursday and settled through the Stock Exchange Talisman system; they are not in order of execution but in ascending order which denotes the day's highest and lowest dealing prices.

For those securities in which no business was recorded in Thursday's Official List, the latest recorded business in the five previous days is given with the relevant date.

‡ Bargains at special prices. ⊕ Bargains done the previous day. Δ Bargains done wiht non-member or executed in overseas markets.

## STERLING ISSUES BY FOREIGN GOVERNMENTS & INTNL. INSTITUTIONS

## CORPORATION & COUNTY

## UK PUBLIC BOARDS

## COMMONWEALTH GOVT.

## FOREIGN STOCKS (coupons payable London)

## CORPORATIONS—FOREIGN

## STERLING ISSUES BY OVERSEAS BORROWERS

## BANKS, DISCOUNT

## BREWERIES

## COMMERCIAL, INDUSTRIAL

### A—B

### C—D

Cadbury Schweppes 9pc1stDb 88-93 £87½
Cantors 7½pcPf (£1) 43 (10/10)
Cape Inds 7½pcDb 86-89 £81½. 7¼pcLn 86-91 £74 (5/10)
Carclo Engg Gp 10pcPf (£1) 133 (5/10)
Carlton Inds 7pcPf (£1) 75 (5/10). 9½pc Ln 86-91 £86 (9/10)
Carpets Intnl 8¼pcDb 92-97 £70
Carrington Viyella 4.55pcPf (£1) 50. 8.1pcLn 97-2002 £64¼ (9/10)
Caskets (S.) (Hldgs) 10.75pcPf (£1) 98

### E—F

### G—H

Hollis Bros & ESA 7pcPf (£1) 46½ (9/10)
Home Counties Newspapers Hldgs 167
Horne Bros 7¼pcLn 1995-2000 £72½
House of Fraser 4½pcPf (£1) 40 (10/10). 8¼pcLn 1993-98 £77¼ (10/10)
Howard & Wyndham (20p) 3⅛ (8/10). Non-vtg (20p) 2½ (9/10). 18pcLn 1976-91 £93 (8/10)
Humphries Hldgs 24 (9/10)
Hunting Assoc Inds Dfd 201 (9/10)

### I—J—K

### L—M

### N—O—P

### Q—R—S

Rugby Portland Cement 8pcLn 1993-98 £62 ¼ (10/10)
Russell Bros (Paddington) 55 (10/10)
S and U Stores Wts to sub 5 (8/10)
SGB Gp 9½pcDb 1991-94 £86¼ (9/10)
Sainsbury (J.) 7¼pcDb 1987-92 £78¾ (5/10)
Sanderson Murray, Elder (Hldgs) (50p) 56 8
Savoy Hotel (5p) £68 (5/10). 8½pcLn 1993-98 £73‡ (5/10)
Scapa Gp 8pcLn 1988-93 £72‡ 4
Scottish Agricultural Inds 5¼pcLn 1994-

### T—U—V

### W—Y—Z

Murray Ventures Wrnts to sub 36 (10/10)
Second Market Invest (5p) (Fp/AL 16/11) 11½
Stock Exchange 7¼pcDb 1990-95 £73¾ (10/10)
United Computer and Tech Hldgs wrnts to sub 30 (10/10)
Yule Catto 11½pcPf 1998-2003 (£1) 127

## INSURANCE

Commercial Union Assce 5pcPf 1989-2009 (£1) 44 (10/10)

## INVESTMENT TRUSTS

## UNLISTED SECURITIES MARKET

## INSURANCE

## INVESTMENT TRUSTS

## UNIT TRUSTS

## MINES—MISCELLANEOUS

## MINES—SOUTH AFRICAN

## OIL

## FINANCIAL TRUSTS

## PROPERTY

## PLANTATIONS

## RAILWAYS

## SHIPPING

## UTILITIES

## WATERWORKS

## RULE 534 (4) (a)

**Bargains marked in securities where principal market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List.**

Adelaide Steamship 355
Agnico-Eagle Mines £9⅛ ¹⁵⁄₁₆ (10/10)
Algoma Central Railway £10⊕
Alliance Oil Development 65½⊕ ½
Amatil 258
Amerada Hess US$27.80⊕ (9/10)
American Cyanamid US$47½⊕ (8/10)
American Home Products £38½ (8/10)
American Standard £27¼ (9/10)
Ames Department Stores US$25½⊕
Amsterdam-Rotterdam Bank £14½ (5/10)
Anchor Hocking Corp £19½⊕ ½
Anixter Bros £34½⊕ (10/10)
Ashton Mining 63⊕ (9/10)
Assoc Dry Goods Corp £45¼ (5/10)
Atlantic Richfield £40½ (9/10)
Atlas Industries 33½⊕ (8/10)
Aust Development 15 (8/10)
Aust Foundation Inv 107⊕ 9 (10/10)
Baltimore Gas and Electric £28.30 (8/10)
Basic Resources Int (Bahamas) 50
Beach Petroleum 49½ (10/10)
Blue Circle Southern Cement 135
Boise Cascade Corp £29
Boral Ord Stk 225⊕ (9/10)
Bounty Invs 130 (10/10)
BP Canada £17⅛
Brisa Intnl 75
Bristol-Myers £35⅝ (5/10)
Central Norseman Gold 320⊕ 5
Cheung Kong (Hldgs) 82
Chevron Corp US$36¼ (5/10)
Cliffminex 14⊕
Cockburn Cement 85 (9/10)
Command Services Corp 6½⊕ (10/10)
Cons Petroleum Australia 27½
Cubic Corp £14¼ (9/10)
Daimler-Benz (DM 50) £155 (9/10)
Dasa Corp 10 (9/10)
*Development Bank of Singapore* 275 7 (8/10)
Diamond Shamrock Corp US$18¼⊕ (5/10)
Dulker Expln 220⊕ (10/10)
Dun and Bradstreet Corp £48⊕ (9/10)
Dunlop Olympic 128⊕ (9/10)
Easetrn Petroleum Australia 17 (8/10)
Electronic Data Systems £36½ ⅝ US$44⅞ (9/10)
Emerson Electric £53¼
Energy Resources Aust Class A 103⊕
*Energo Industrial Enterprises* 18⊕ (10/10)
Ferrovanadium Corp 27⊕ (9/10)
Gearhart Inds £12⊕ (8/10)
Generale Occidentale £60¼⊕ (8/10)
Gist-Brocades £39 (10/10)
Golconda Mintrals 24 (8/10)
Gould Inc £20⅛
Greyhound Corp £17⅞ (9/10)
Hang Lung Development 26 (9/10)
Hang Seng Bank 375 (5/10)
Harland (John H.) £36¼
*Harris Corp* £20.90 (10/10)
Hartogen Energy 147
Hawk Invs 21½
Heinz (H.J.) £33⅛
Henderson Land Development 15¼⊕ (10/10)
Hewlett-Packard £27⅛ (10/10)
Hill 50 Gold Mines 20 (10/10)
Hitachi 286⊕ (10/10)
Holiday Inns £29⅝ (10/10)
Home Energy 28 (9/10)
Hong Kong Electric Hldgs 61

Wheelock Marden A 38 ½
Wheelock Marden B 2½
Winsor Industrial Corp 48
Wooltru Class A 630⊕ (9/10)
Woolworths (A$0.50) 178⊕ (10/10)
Zanex 31⊕ 2 (8/10)
Zone Petroleum 70⊕

## RULE 535 (2)

**Applications granted for specific bargains in securities not listed on any exchange.**

*Airleisure Products* 22
Alliance Building Soc 10¹⁄₁₆pcBds due 14/11/84 £99.806pc
Ann Street Brewery (£1) 360 70 (9/10)
Burrough (James) 237 (8/10)
Business Mortgages 123
Cannon St Invs (20p) 3 (8/10)
Ciba-Geigy 8¼pcConv 1982-95 £233pc (11/10)
Crown Int Prod (10p) 45 (8/10)
Dawson (Wm) (10p) 299 300 (9/10)
*Douglas Gas Light* (£1) 215
Edenspring Invs (1p) 2½ 3 ½ (11/10)
Folkestone Racecourse (£1) 225 50
Grampian TV (10p) 92 7 (11/10)
Home Brewery 805 10 (9/10)
Highland Participants 70 2 (9/10)
Jersey Elec 3½pcNon-PtPf (£1) 27 (11/10)
Jersey Elec 3pcDbs 1987 £75pc (10/10)
Jersey Gas 3pcPf (£1) 21 (9/10)
Jersey New Waterworks 5pc3rdPf (£5) 180 (9/10)
*Kunick Leisure* (10p) 27 8 9 (11/10)
Le Riches Stores (£1) 408 (11/10)
Memcom Intl (10p) 195 200 (9/10)
Mercantoil (20p) 190 (10/10)
Merrett (10p) 125 6 (10/10)
Mowat (Wm) (10p) 9½ 11 (10/10)
Oldham Ests (50p) 93 4½ 5 6 (9/10)
Rangers FC (£1) £12 13 (11/10)
Rubicon Packaging 12pcPf (£1) 100 (9/10)
Seaham Harbour Dock 4pcPerp £24½pc 5pc (9/10)
Sodastream (£1) £10½ 11 (10/10)
Sonic Tape (2½p) 88 ½
South Quay Inv (£1) 110
Southern Newspapers (£1) 218 22 (9/10)
Taddale Invs (10p) 29 30 (11/10)
Tisbury Brewery (£1) 10 2 (10/10)
Weetabix A (Non-Vtg) 107 9 (11/10)
Welsh Inds Inv Tst (5p) 17 9 (8/10)
Welsh Inds Inv Tst Pfd 17 9 (9/10)
Wolverhampton Racecourse 123 5 (8/10)

## RULE 535 (3)

**Dealings for approved companies engaged solely in mineral exploration.**

Kenmare Oil Ex Ir 10 (10/10)

*(By permission of the Stock Exchange Council)*

## LONDON TRADED OPTIONS

Oct. 12. Total Contracts 8,145. Calls 3,840 Puts 3,305

## EUROPEAN OPTIONS EXCHANGE

TOTAL VOLUME IN CONTRACTS: 31,257

## ECONOMIC DIARY

**TODAY:** Society of Civil and Public Servants' conference on heroin addiction and drug trafficking, Royal Festival Hall.

**TOMORROW:** Mr Roy Hattersley, deputy leader of the Labour Party, and Mr Eric Hammond, leader of the Electricians' union, address Electrical and Engineering Staff Association national conference, Birmingham.

**MONDAY:** August index of output of the production industries. September provisional figures for retail sales. FT two-day conference opens on unit trusts—a major force in international investment, Royal Lancaster Hotel, W1. Local Authority manual workers submit pay claim. Mr Peter Walker, Energy Secretary, launches energy efficiency campaign. Motorcycle industry code of practice launched. RoSPA national road safety congress, Bristol. The Prime Minister takes part in Channel 4 phone-in. EEC Foreign Ministers meet in Luxembourg. EEC Industrial Council meets.

**TUESDAY:** Public Sector borrowing requirement for September. Delayed publication of building societies' monthly figures for September. Medical Council publishes report on alcoholic damage to brain and liver. Engineering union TASS publishes "Space the Future" report. Sir Geoffrey Howe, Foreign Secretary, addresses American Chamber of Commerce lunch, Savoy Hotel. EEC Research Council meets.

**WEDNESDAY:** Cyclical indicators for the UK economy (September). Second quarter figures for industrial commercial companies capital account and net borrowing requirement. August provisional figures for average earnings indices; employment, hours and unit wage costs. New construction orders in August. TUC employment policy and organisation committee meets, Congress House. Mrs Margaret Thatcher is presented with National Free Enterprise Award by Aims of Industry. Help the Aged annual report published. CBI council meets, Centre Point. Foyles lunch honouring Lord Denning, Dorchester Hotel.

**THURSDAY:** Figures for second quarter institutional investment. Third quarter preliminary estimate of consumers' expenditure. UK banks assets and liabilities *and the money stock in mid*-September. London sterling certificates of deposit (September). FT two-day conference opens on management strategy for the financial services revolution, Inter-Continental Hotel. British Motor Show opens, NEC Birmingham (until October 28). TGWU Scottish delegate conference, Motherwell (Mr Moss Evans speaks). British Film Year launched. Mr Leon Brittan, Home Secretary, addresses WRVS rally, London. Mr Nigel Lawson, Chancellor of the Exchequer speaks at Lord Mayor's bankers' banquet, Mansion House. Booker McConnel fiction prize winner announced. Nobel Economics Prizewinner *announced*.

**FRIDAY:** Ford pay talks, London

## APPOINTMENTS

# Midland Bank regional director

Mr Alan Eastwood, previously chief inspector, MIDLAND BANK, has been appointed regional director, East Midlands. He succeeds Mr John Roberts, *who is shortly to* become chief executive, Northern Bank.

★

Mr P. J. Kleeman has resigned from the board of TEXTURED JERSEY. From November 1 Mr *F. C. Hirst, previously director* of administration at Marks and Spencer, will be joining the board as a non-executive director.

★

Mr Paul Brooks of CHARTERHOUSE J. Rothschild has been appointed director of marketing.

★

Mr Geoffrey Daniels has been *appointed managing director* of THOMAS SEAGER.

Mr Bill Bates has been appointed director, DEBORAH COATINGS, Billingham. He joined the company in 1981 as general manager. Deborah Coatings is a company within the DSL group.

★

Mr Alan Spall has been appointed finance director of ICI's organics division, Blackley, Manchester. He was previously

# FT UNIT TRUST INFORMATION SERVICE

## AUTHORISED UNIT TRUSTS

**Abbey Unit Tst. Mngrs. (a)**
1-3 St Paul's Churchyard, EC4P 4DX. 01-236 1833

| | | | | |
|---|---|---|---|---|
| **High Income** | | | | |
| Gilts & Fixed Int. | 112.1 | 118.6xd | +0.7 | 10.12 |
| High Inc Equity | 64.1 | 68.2xd | +0.2 | 6.60 |
| Worldwide Bond | 150.4 | 160.0 | +0.1 | 6.06 |
| **Capital Growth** | | | | |
| American Growth | 112.9 | 120.1 | +1.0 | 1.61 |
| Assets & Ernngs. Tt. | 64.4 | 68.9 | -0.1 | 3.31 |
| Capital Reserve (z) | 54.1 | 54.4 | +0.1 | 0.77 |
| Commodity & Engy. | 74.3 | 79.5xd | -0.1 | 3.26 |
| General | 94.9 | 101.5 | -0.1 | 3.00 |
| Japan | 161.9 | 173.2xd | +2.6 | 0.14 |
| UK Growth | 59.1 | 63.5xd | ..... | 2.68 |
| Acc. Units | 83.4 | 89.7 | +0.1 | 2.68 |
| U.S. Emerging Co's | 49.9 | 53.1xd | +0.2 | 0.49 |
| Equitas Prog. | 140.2 | 149.9 | -0.4 | 3.51 |

**Aitken Hume**
30, City Road, EC1Y 2AY. 01-628 6626

| | | | | |
|---|---|---|---|---|
| American Tech Fd | 120.9 | 129.5xd | +2.9 | 0.20 |
| Inc & Gwth Fd | — | — | — | — |
| Pacific Fd | 132.9 | 142.5 | +0.8 | 0.40 |
| Secured Income Fd | 124.9 | 133.6xd | -1.9 | 5.88 |
| Special Sits | 151.9 | 162.5 | +1.5 | 1.56 |
| Energy Fd | 39.5 | 42.2 | -0.5 | 0.60 |
| American Majors | 51.2 | 54.8 | ..... | 2.70 |
| Small Co's Fd (10for1) | 26.1 | 27.9 | ..... | 2.26 |
| Jap. Technology | 66.4 | 71.0 | +0.3 | 0.20 |

**Allied Unit Trusts Limited (a)(g)**
Allied Hambro House, Hutton, Brentwood, Essex
Brentwood. (0277) 211459 & 229123

| | | | | |
|---|---|---|---|---|
| **Balanced Trusts and Income Trusts** | | | | |
| First Trust | 142.4 | 150.9xd | -0.1 | 4.79 |
| Growth & IncomeTst. | 91.1 | 96.6xd | -0.1 | 4.11 |
| Capital Trust | 169.1 | 179.2xd | -0.3 | 3.14 |
| Balanced Trust | 250.6 | 265.6 | -0.2 | 4.04 |
| Accum. Trust | 362.5 | 384.2xd | -0.1 | 3.68 |
| **American Tst** | | | | |
| High Income Trust | 158.0 | 167.5xd | -0.2 | 5.75 |
| Equity Income Trust | 87.3 | 92.5 | +0.2 | 6.10 |
| High Yield Trust | 106.9 | 113.3 | ..... | 6.91 |

**Britannia Group—Continued**

| | | | | |
|---|---|---|---|---|
| **General Funds** | | | | |
| Capital Acc. | 131.0 | 139.7 | -0.7 | 2.56 |
| Comm. & Ind. | 98.8 | 105.4 | -0.1 | 3.73 |
| Domestic | 83.4 | 89.0 | -0.1 | 4.12 |
| Growth | 163.6 | 174.5 | -0.4 | 2.30 |
| Shield | 85.9 | 91.6xd | -0.5 | 2.97 |
| **Exempt Funds** | | | | |
| Exempt | 296.4 | 310.4 | +0.8 | 4.67 |
| Ex. Mkt. Ldrs. | 58.1 | 60.8 | -0.1 | 3.54 |
| **NEL Trusts** | | | | |
| Nelstar | 113.9 | 119.9 | -0.9 | 3.51 |
| Nelstar Gilt & F.I. | 64.6 | 66.3 | +0.3 | 9.77 |
| Nelstar High Income | 52.1 | 54.8xd | -0.2 | 7.02 |
| Nelstar International | 99.8 | 105.1 | -1.4 | 3.04 |

**Brown Shipley & Co. Ltd. (a)(g)**
9-17 Perrymount Rd, Haywards Hth 0444 458144

| | | | | |
|---|---|---|---|---|
| B.S. Fund | 43.5 | 46.8 | -0.1 | 4.68 |
| B.S. Accum | 69.4 | 74.6 | -0.2 | 4.68 |
| Financial | 80.7 | 86.3 | ..... | 3.48 |
| Growth Accum. | 145.9 | 156.8 | -0.5 | 2.12 |
| Growth Income | 96.0 | 103.2xd | -0.1 | 2.12 |
| High Income | 41.0 | 44.1xd | ..... | 7.05 |
| Income | 45.4 | 48.8xd | -0.1 | 5.90 |
| North American | 48.6 | 52.3 | +0.1 | 1.53 |
| Orient | 47.5 | 51.1 | +0.1 | 0.20 |
| Recovery | 25.3 | 27.2 | ..... | 4.01 |
| Technology | 142.0 | 152.6 | +0.6 | 0.56 |
| Exempt | 141.5 | 152.1 | -0.4 | 4.32 |

**Buckmaster Management Co. Ltd. (a) (c)**
The Stock Exchange, EC2P 2JT. 01-588 2868

| | | | | |
|---|---|---|---|---|
| General Inc Oct 11 | 141.5 | 148.8 | ..... | 3.45 |
| Accum Units Oct 11 | 215.5 | 226.5 | ..... | 3.45 |
| Income Oct 3 | 69.0 | 72.7 | ..... | 5.96 |
| Accum Units Oct 3 26 | 110.2 | 116.2 | ..... | 5.96 |
| Intl October 9 | 98.5 | 103.5 | ..... | 2.77 |
| (Accum Units) Oct 9 | 127.5 | 134.0 | ..... | 2.77 |
| Smaller Co's Oct 12 | 859.7 | 919.2 | +12.8 | 1.41 |
| (Accum Units) Oct 12 | 896.4 | 958.4 | +13.3 | 1.41 |

**Canada Life Unit Trust Mngrs. Ltd.**
2-6 High St, Potters Bar, Herts. P Bar 51122

| | | | | |
|---|---|---|---|---|
| Can. Gen Dist. | 79.6 | 83.8 | +0.1 | 3.20 |
| Do. Gen. Accum | 120.2 | 126.5 | +0.2 | 3.20 |
| Do. Income Dist. | 55.6 | 58.5 | +0.1 | 6.26 |
| Do. Inc. Accum. | 103.9 | 109.4 | +0.2 | 6.26 |
| Gilt & Fxd. Int. Trust | 33.7 | 35.5 | +0.2 | — |

**Cannon Fund Managers Ltd. (z)**
1, Olympic Way, Wembley, HA9 0NB. 01-902 8876

| | | | | |
|---|---|---|---|---|
| Growth | 193.4 | 205.7xd | +1.0 | 3.97 |
| Income | 221.0 | 235.1xd | +0.9 | 5.66 |
| Far East | 117.2 | 124.7xd | -0.1 | 0.63 |
| North American | 107.3 | 114.2xd | +0.8 | 2.24 |

## INSURANCES



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# INSURANCE, OVERSEAS & MONEY FUNDS

**Save & Prosper Group**
28, Western Rd, Romford RM1 3LB. 0708-46966

| | | | | |
|---|---|---|---|---|
| Global Equity Fund (z) | 85.5 | 90.3 | +0.5 | — |
| Bal. Inv. Fd. | 273.1 | 289.0 | +0.6 | — |
| Property Fd. | 281.4 | 297.8 | ..... | — |
| Gilt Fd. | 228.2 | 241.5 | −0.2 | — |
| Deposit Fd.‡ | 192.3 | 203.5 | ..... | — |
| Man. Pens. Fd. | 56.2 | 59.5 | +0.1 | — |
| Equity Pens. Fd. | 57.0 | 60.4 | ..... | — |
| Prop. Pens. Fd. | 53.1 | 56.2 | ..... | — |
| A. G. Bond Fund (z) | 69.9 | 74.0 | +0.3 | — |
| Dep Pen Fd‡ | 50.8 | 53.8 | ..... | — |
| Gilt Pens Fd | 50.5 | 53.5 | −0.2 | — |
| Global Eq Pens Fd | 65.6 | 69.5 | +0.3 | — |

‡Weekly dealings.

**Schroder Life Assurance Ltd.**
Enterprise House, Portsmouth. 0705 827733

| | | | | |
|---|---|---|---|---|
| Equity | 529.5 | 557.4 | +1.4 | — |
| Fixed Interest | 252.3 | 265.7 | +0.9 | — |
| Managed | 286.4 | 301.5 | +0.7 | — |
| Deposit | 181.9 | 191.5 | ..... | — |
| Overseas | 183.1 | 192.8 | +1.1 | — |
| Property | 278.9 | 293.6 | ..... | — |
| American | 183.7 | 193.5 | +1.0 | — |
| Australian | 128.6 | 135.5 | ..... | — |
| European | 173.8 | 183.1 | −0.4 | — |
| Gilt & Fxd Int | 138.6 | 146.0 | −1.3 | — |
| Income Accum | 229.8 | 242.0 | +1.6 | — |
| Income Distrib. | 182.3 | 192.0 | +1.9 | — |
| International | 181.7 | 191.4 | +1.1 | — |
| Japan Smlr Co's | 108.0 | 113.7 | +1.0 | — |
| Singapore & Malay | 137.3 | 144.6 | −0.1 | — |
| Smaller Co's | 230.1 | 242.3 | −0.6 | — |
| Tokyo | 199.1 | 209.7 | +0.6 | — |
| U.K. Equity | 209.2 | 220.3 | +0.5 | — |
| CCM Vanguard Mngd | 227.6 | 239.6 | +0.6 | — |
| Equity Pension | 307.2 | 323.5 | +1.0 | — |
| Fxd Int Pension | 204.1 | 214.9 | +0.7 | — |
| Guaranteed Pens. | 113.6 | 119.7 | ..... | — |
| Index-Linked Pens. | 99.6 | 105.0 | +1.0 | — |
| Managed Pension | 700.4 | 737.3 | +1.9 | — |
| Deposit Pension | 111.3 | 117.3 | +0.1 | — |
| Overseas Pension | 178.8 | 199.3 | +1.3 | — |
| Property Pension | 244.6 | 257.6 | ..... | — |
| Special Ex Pension | 182.3 | 192.0 | −0.4 | — |

Prices are for Life Series 4 Accum; Pension Series C Accum Oct 12.

**Scottish Amicable Investments**
150 St Vincent St, Glasgow 041-248 2323

| | | | | |
|---|---|---|---|---|
| Equity | 202.0 | 212.7 | +0.5 | — |
| Fixed Interest | 151.2 | 159.2 | +1.1 | — |
| International | 179.9 | 189.4 | +0.4 | — |
| Property | 119.3 | 125.6 | +0.1 | — |
| Cash | 119.7 | 126.0 | +0.1 | — |
| Index Linked Gilt | 104.7 | 110.3 | +0.6 | — |
| Managed | 175.6 | 184.9 | +0.6 | — |
| Exempt Eq. Init. | 152.7 | 160.8 | +0.1 | — |
| Do. Accum | 179.7 | 189.2 | +0.2 | — |
| Exempt Fxd. Int. Init. | 136.9 | 144.2 | +0.9 | — |
| Do. Accum | 161.2 | 169.7 | +1.2 | — |
| Exempt Ind. Init. | 135.6 | 142.8 | +0.3 | — |
| Do. Accum | 159.6 | 168.0 | +0.4 | — |
| Exempt. Prop. Init. | 93.8 | 98.8 | ..... | — |
| Do. Accum. | 110.3 | 116.2 | ..... | — |
| Exempt Cash Init. | 104.8 | 110.4 | ..... | — |
| Do. Accum. | 123.4 | 19.9 | +0.1 | — |
| Exempt Man. Init. | 139.6 | 147.0 | +0.5 | — |
| Do. Accum. | 164.2 | 172.9 | +0.5 | — |

**Scottish Equitable Life Assce. Soc.**
31, St Andrew Sq, Edinburgh. 031 556 9101

| | | | | |
|---|---|---|---|---|
| Mixed | 180.7 | 190.3 | +0.3 | — |
| Equity | 183.0 | 192.7 | −0.3 | — |
| Property | 107.3 | 113.0 | ..... | — |
| Fixed Interest | 117.5 | 123.7 | +0.9 | — |
| International | 211.6 | 222.8 | +0.1 | — |
| Index Linked | 101.5 | 106.9 | +0.5 | — |
| Cash | 111.72 | 117.60 | +0.03 | — |

**Scottish Life Investments**
19 St Andrew Square, Edinburgh. 031-225 2211

| | | | | |
|---|---|---|---|---|
| Property | 101.3 | 106.7 | +0.1 | — |
| UK Equity | 104.7 | 110.3 | +0.3 | — |
| American | 114.9 | 121.0 | +0.6 | — |
| Pacific | 109.1 | 115.0 | +0.2 | — |
| European | 104.4 | 110.0 | ..... | — |
| International | 109.3 | 115.2 | +0.3 | — |
| Fixed Interest | 97.2 | 102.4 | +0.3 | — |
| Index Linked | 100.9 | 106.3 | +0.3 | — |
| Deposit | 98.0 | 103.3 | ..... | — |
| Managed | 102.5 | 108.0 | +0.3 | — |
| Pens. Property | 103.0 | 108.5 | ..... | — |
| Pens. UK Equity | 107.4 | 113.2 | +0.5 | — |
| Pens. American | 119.0 | 125.4 | +0.7 | — |
| Pens. Pacific | 112.2 | 118.2 | +0.2 | — |
| Pens. European | 106.8 | 112.6 | ..... | — |
| Pens International | 112.6 | 118.7 | +0.4 | — |
| Pens. Fixed Int. | 97.8 | 103.0 | +0.4 | — |
| Pens. Index Linked | 101.9 | 107.4 | +0.3 | — |
| Pens. Deposit | 100.3 | 105.7 | +0.1 | — |
| Pens. Managed | 105.4 | 111.1 | +0.3 | — |

**Scottish Mutual Assurance Society**
109 St Vincent St, Glasgow. 041-248 6321

| | | | | |
|---|---|---|---|---|
| Flex End Sept 18 | 521.9 | 538.0 | ..... | — |
| Pen Mngd Sept 18 | 362.3 | 373.5 | ..... | — |

**Scottish Provident Institution**
6 St Andrews Sq, Edinburgh. 031-556 9181

| | | | | |
|---|---|---|---|---|
| Mixed | 106.6 | 112.3 | +0.2 | — |
| Equity | 109.3 | 115.2 | +0.1 | — |
| International | 118.9 | 125.3 | +0.4 | — |
| Property | 101.1 | 106.5 | ..... | — |
| Fixed Interest | 98.8 | 104.1 | +0.4 | — |
| Index-Linked | 97.8 | 103.1 | +1.1 | — |
| Cash | 99.7 | 105.0 | ..... | — |
| Pens. Mixed Init. | 105.2 | 110.7 | +0.1 | — |
| Do. Ord. | 108.1 | 113.9 | +0.2 | — |

**Target Life Assurance Co. Ltd.**
Target House, Gatehouse Road, Aylesbury, Bucks. Aylesbury (0296) 5941

| | | | | |
|---|---|---|---|---|
| Managed | 271.7 | 286.0 | +1.0 | — |
| Property | 236.9 | 249.4 | +0.1 | — |
| Fixed Int. | 154.7 | 162.9 | +0.2 | — |
| UK Equity | 241.4 | 254.2 | −0.4 | — |
| Int. Equity | 213.9 | 225.2 | +0.1 | — |
| Deposit | 137.6 | 145.0 | +0.1 | — |
| American Eagle | 99.4 | 104.7 | ..... | — |
| Technology | 83.6 | 88.1 | +0.6 | — |
| U.S. Special Bond | 117.8 | 124.1 | +1.1 | — |
| Pacific | 97.3 | 102.5 | −0.1 | — |
| Australian | 109.8 | 115.6 | −0.3 | — |
| Japan | 154.9 | 163.1 | +0.3 | — |
| Malaysia & S'pore | 116.0 | 122.2 | −1.1 | — |
| Commodity | 115.9 | 122.0 | −1.1 | — |
| Energy | 79.8 | 84.1 | +0.2 | — |
| Gold | 133.2 | 140.3 | +1.6 | — |
| Financial | 123.4 | 130.9 | +0.4 | — |
| Income | 138.5 | 145.8 | +0.8 | — |
| Special Situations | 160.5 | 169.0 | +1.1 | — |
| Preference | 98.2 | 103.4 | ..... | — |
| Managed Currency | 75.0 | 79.0 | ..... | — |
| Sterling | — | — | ..... | 8.5 |
| **Pension Funds** | | | | |
| Managed Pension | 695.1 | 731.7 | +3.3 | — |
| Gilt Pens. | 290.1 | 305.4 | +1.9 | — |
| Property Pens. | 302.4 | 318.4 | −0.1 | — |
| Equity Pens. | 268.9 | 283.1 | +1.9 | — |
| American Pens. | 79.8 | 84.1 | +0.1 | — |
| Technology Pens. | 79.5 | 83.7 | +0.5 | — |
| Japan Pens. | 129.9 | 136.8 | +0.3 | — |
| Australian Pens | 98.2 | 103.4 | −0.2 | — |
| Commodity Pens | 92.3 | 97.2 | −1.0 | — |
| Energy Pens | 84.4 | 88.9 | +0.1 | — |
| Gold Pens. | 93.7 | 98.7 | +1.5 | — |
| Index-L Plan | 106.9 | 112.6 | +0.7 | — |
| Guar. Pen. | 202.2 | 212.9 | +0.1 | — |
| Currency Pens | 102.2 | 107.6 | ..... | — |

Prices quoted are for Accumulation units.

**Transinternational Life Ins. Co. Ltd.**
55-57, High Holborn, WC1V 6DU. 01-831 7481

| | | | | |
|---|---|---|---|---|
| Series 2 Man. Fd. | 193.2 | 203.3 | ..... | — |
| Series 2 Equity Fd. | 233.4 | 245.6 | ..... | — |
| Series 2 Prop. Fd. | 186.9 | 196.7 | ..... | — |
| Series 2 Fixed Int. Fd. | 184.4 | 194.0 | ..... | — |
| Series 2 Money Fd. | 135.0 | 142.0 | ..... | — |
| Series 2 O'seas Fd. | 174.2 | 183.3 | ..... | — |
| Tulip Invest. Fd. | 378.9 | 398.9 | ..... | — |
| Tulip Managed Fd. | 266.9 | 280.9 | ..... | — |
| Managed Inv. Fd. Int. | 190.5 | 200.5 | ..... | — |
| Managed Inv. Fd. Acc. | 220.1 | 231.6 | ..... | — |
| Man. Pen. Fd. Cap | 295.7 | 311.2 | ..... | — |
| Man. Pen. Fd. Acc. | 378.2 | 398.1 | ..... | — |

**Trident Life Assurance Co. Ltd**
London Road, Gloucester. 0452 500500

| | | | | |
|---|---|---|---|---|
| Managed | 235.7 | 248.3 | +0.8 | — |
| Gtd. Mgd | 239.9 | 252.7 | +0.7 | — |
| Property | 288.5 | 303.8 | ..... | — |
| American | 208.0 | 219.1 | +0.8 | — |
| U.K. Equity Fund | 237.2 | 249.8 | +0.1 | — |
| High Yield | 277.5 | 292.2 | +0.5 | — |
| Gilt Edged | 206.4 | 217.3 | +1.0 | — |
| Money | 199.0 | 209.6 | ..... | — |
| International | 167.0 | 175.9 | +0.2 | — |
| Fiscal | 229.2 | 241.4 | +0.1 | — |
| Growth Cap. | 225.6 | 237.6 | +1.5 | — |
| Growth Acc. | 272.3 | 286.7 | +1.9 | — |
| Pens. Equity Acc. | 291.0 | 306.4 | +0.1 | — |
| Pens. Mngd. | 316.0 | 332.7 | +0.9 | — |
| Pens. Gilt Edged | 231.2 | 243.5 | +1.5 | — |
| Pens Dep | 215.6 | 227.0 | ..... | — |
| Pens. Pty. | 291.1 | 306.5 | ..... | — |
| Swiss Bond Fund | 102.1 | 107.5 | ..... | — |
| Woolwich Fund | 107.1 | 112.8 | ..... | — |
| Trl Inv. Bond | 81.3 | 85.7 | ..... | — |

**Tyndall Assurance/Pensions**
18, Canynge Road, Bristol. 0272 732241

| | | | | |
|---|---|---|---|---|
| 3-Way | — | 239.1 | ..... | — |
| Do. Pens. | — | 341.1 | ..... | — |
| Equity | — | 353.5 | ..... | — |
| Bond | — | 290.8 | ..... | — |
| Property | — | 184.1 | ..... | — |
| Overseas Inv. | — | 160.7 | ..... | — |
| UK Inv. | — | 327.1 | ..... | — |
| Deposit | — | 200.5 | ..... | — |
| Man. Pen. 3-W | — | 376.8 | ..... | — |
| Equity Pen. | — | 613.2 | ..... | — |
| Bond Pen. | — | 361.8 | ..... | — |
| Prop. Pen. | — | 184.8 | ..... | — |
| Dep. Pen. | — | 268.8 | ..... | — |
| **New Series (z)** | | | | |
| U.K. Equity | 166.6 | 175.4 | −0.4 | — |
| Nth. American Eq. | 144.8 | 152.5 | +0.4 | — |
| Far East Eq. | 197.2 | 207.6 | +0.3 | — |
| Fixed | 140.6 | 148.1 | −0.5 | — |
| Cash Deposit | 109.5 | 115.3 | ..... | — |
| Property | 98.2 | 103.4 | ..... | — |
| Special Opp. | 188.9 | 198.9 | +1.0 | — |
| Managed | 161.0 | 169.5 | +0.1 | — |
| Index Linked Fund | 106.3 | 111.9 | +1.4 | — |
| Star Mngd 1 | 138.6 | 145.9 | +0.2 | — |
| Star Mngd 2 | 146.9 | 154.7 | +0.3 | — |
| Star Mngd 3 | 156.6 | 164.9 | +0.2 | — |
| Star Mngd 4 | 147.9 | 155.7 | +0.1 | — |
| Star Mngd 5 | 153.9 | 162.1 | +0.4 | — |
| Star Mngd 6 | 136.3 | 143.5 | +0.1 | — |
| Star Mngd 7 | 136.6 | 143.8 | +0.1 | — |
| **Pension New Series (z)** | | | | |
| UK Equity (Acc) | 174.7 | 183.9 | −0.5 | — |
| N. Amer (Acc) | 151.0 | 159.0 | +0.4 | — |
| F. East Eq (Acc) | 198.5 | 209.0 | +0.3 | — |
| Fixed Int (Acc) | 145.6 | 153.3 | −0.6 | — |
| Cash Deposit (Acc) | 116.4 | 122.6 | ..... | — |
| Property (Acc) | 104.3 | 109.8 | ..... | — |
| Index Link (Acc) | 113.4 | 119.4 | +1.6 | — |
| Managed (Acc) | 167.2 | 176.1 | −0.1 | — |

**Midland Bank Tst. Corp. (Jersey) Ltd.**
28-34, Hill St, St Helier, Jersey. 0534 36281

| | | | | |
|---|---|---|---|---|
| Mid. Bk. O'shore Gilt | 101.6 | 102.0 | −0.3 | 11.76 |
| Mid. Bk. Int. Bond | 51.02 | 1.04 | ..... | 7.69 |

**Minerals, Oils Res. Shrs. Fd. Inc.**
PO Box 194, St. Helier, Jersey. 0534 27441

| | | | | |
|---|---|---|---|---|
| Mores Oct 11 | $11.53 | 11.88 | ..... | 3.37 |

**Samuel Montagu Ldn. Agents**
114, Old Broad St, EC2. 01-626 3434

| | | | | |
|---|---|---|---|---|
| Mont Amer Eq Inc(z) | 92.4 | 97.1 | +0.5 | 3.46 |
| Mont Japan Inc (z) | 65.2 | 68.6 | +0.4 | 4.52 |
| Mont Gilt Inc(z) | 48.5 | 51.0 | −0.1 | 10.53 |
| Mont Stg Res Oct 2 | £14.90 | 14.91 | ..... | — |
| Mont Int Cur Oct 9 | $9.38 | 9.86 | ..... | — |
| Apollo Oct 9 | SF104.55 | 113.47 | ..... | 1.23 |
| Japan Sept 30 | HK41.95 | 45.40 | ..... | 0.16 |
| 117 Go Sept 28 | $17.65 | 18.99 | ..... | 1.36 |
| Mont FRNF Oct 10 | $10.50 | 10.52 | ..... | — |
| U.S. FIF Sept 28 | $10.77 | 11.33 | ..... | — |

**Murray, Johnstone (Inv. Adviser)**
163, Hope St, Glasgow, C2. 041-221 5521

| | | | | |
|---|---|---|---|---|
| Hope St Oct 9 | $65.37 | 70.02 | ..... | — |
| Murray Fund Oct 11 | $18.81 | 20.04 | ..... | — |
| Pacifi Fd Oct 10 | $3.88 | 4.13 | ..... | — |

**N.E.L. International Ltd**
PO Box 119, St Peter Port, Guernsey, CI

| | | | | |
|---|---|---|---|---|
| Sterling Deposit | 76.1 | 80.1 | ..... | — |
| Sterling Fxd Interest | 85.8 | 90.3 | ..... | — |
| Sterling Managed | 92.0 | 100.0 | ..... | — |
| Intl Fxd Interest | 101.0 | 109.8 | ..... | — |
| Intl Managed | 102.8 | 111.7 | ..... | — |

**Nat. Westminster Jersey Fd. Mgrs. Ltd.**
23/25 Broad St, St Helier, Jersey. 0534 70041

| | | | | |
|---|---|---|---|---|
| High Inc Fd (a)(b) | 52.9 | 55.0 | ..... | 10.91 |
| Equity Fd (a)(b) | 95.9 | 102.0 | +1.0 | 1.89 |
| Intl. Bond Fd. (a)* | 75.7 | 78.0 | ..... | 7.15 |

*Sub. day every Thurs.

**County Bank Currency Fund (z)**

| | | | | |
|---|---|---|---|---|
| Dollar Class | | $22.7930 | +0.0063 | — |
| Sterling Class | | £11.2809 | +0.0032 | — |
| D-Mark Class | | DM53.1741 | +0.0065 | — |
| Dutch Guilder Class | | DFL53.1850 | +0.0064 | — |
| Japanese Yen Class | | Y5,308.3072 | +0.6997 | — |

**Negit S.A.**
10a Boulevard Royal, Luxembourg

| | | | | |
|---|---|---|---|---|
| NAV | | .86 | ..... | — |

**Newport International Management**
Bank of Bermuda Bldg, Bermuda. 809 295 4000

| | | | | |
|---|---|---|---|---|
| Npt. Intl. Securities | $15.07 | — | ..... | — |
| Npt. Intl. Inc. Fd. | 14.22 | — | ..... | — |
| Npt. Pacific | $11.84 | — | ..... | — |

**Norcap Fund Managers (Bermuda) Ltd**
Bank of Bermuda Bldg, Bermuda. 809 295 4000

| | | | | |
|---|---|---|---|---|
| American Trust | $8.07 | 8.40 | ..... | — |

**Normandy Trust Managers Ltd.**
29, Athol Street, Douglas, IoM. 0624 29696

| | | | | |
|---|---|---|---|---|
| Normandy Metal Trust | £1.0508 | 1.1061 | ..... | 2.00 |
| Normandy Com. Tst. | £1.3066 | 1.3753 | ..... | 2.00 |
| Camb. Currency & Gd. | £0.8154 | 0.8985 | ..... | 2.00 |

**Northgate Unit Tst. Mngrs. (Jersey) Ltd.**
PO Box 82, St Helier, Jersey. 0534 73741

| | | | | |
|---|---|---|---|---|
| Pacific Fd Oct 10 | 11.88 | 12.78 | ..... | — |

**Rothschild Australia Asset Mgmt. Ltd.**
17 Bridge St, Sydney 2000, Australia

| | | | | |
|---|---|---|---|---|
| Five Arrows Aust. Eq. | $1.44 | 1.47 | ..... | 6.10 |

**Royal Bank of Canada Funds**
**RBC Invest Managers Ltd**
PO Box 246, St Peter Port, Guernsey. 0481 23021

| | | | | |
|---|---|---|---|---|
| Intl Income Fd. | $9.84 | 10.50 | | 8.60 |
| Intl Capital Fd. | $16.12 | 17.51 | +0.13 | — |
| North America Fd. | $7.03 | 7.67 | ..... | — |
| Far East & Pacific Fd | $9.47 | 10.14 | ..... | — |
| **RBC Intl Currencies Fd Ltd** | | | | |
| U.S.$ | | $23.51 | +0.02 | — |
| Canadian $ | | $29.20 | +0.03 | — |
| £ Sterling | | £11.72 | +0.01 | — |
| D-Mark | | DM54.02 | +0.02 | — |
| Swiss Francs | | SF41.85 | +0.01 | — |
| Japanese Yen | | Y6,571 | +2 | — |
| Managed Fund | | $22.02 | +0.02 | — |

Daily Dealings.

**Royal Trust International Fd. Mngt. Ltd. (x)**
PO Box 194, St. Helier, Jersey. 0534 27441

| | | | | |
|---|---|---|---|---|
| Sterling Fxd. Int. Fd. | £0.860 | 0.870 | ..... | 9.28 |
| International Secs. | $1.078 | 1.125 | ..... | 0.93 |
| International Bond | $0.755 | 0.764 | ..... | 10.06 |

Prices on October 10. Next dealing October 17.

**SCI/TECH S.A.**
2 Boulevard Royal, Luxembourg

| | | | | |
|---|---|---|---|---|
| SCI/Tech NAV | | $9.83 | ..... | — |

**Save & Prosper International**
Dealing to
PO Box 73, St Helier, Jersey. 0534 73933

| | | | | |
|---|---|---|---|---|
| **Fixed Interest Funds** | | | | |
| Deutschmark Bd. | DM10.49 | 11.06 | ..... | 4.97 |
| Dllr. Fxd. Int. | $8.00 | 8.53 | ..... | 10.32 |
| St Fixed | 112.4 | 118.8 | ..... | 11.78 |
| Yen Bond | Y1,426 | 1,505 | ..... | 3.00 |
| **Equity Funds** | | | | |
| UK Growth | 151.5 | 163.8 | ..... | 1.52 |
| Internl. Gr. | $9.64 | 10.43 | ..... | 0.90 |
| Far Eastern | $20.24 | 21.89 | ..... | 0.34 |
| North American | $7.65 | 8.28 | ..... | 0.11 |
| Gold | $10.55 | 11.41 | ..... | 2.76 |
| **Multicurrency Reserve Fund** | | | | |
| U.S. $ | 1.00 | — | ..... | 10.64 |
| D Marks | 10.00 | — | ..... | 4.02 |
| £ Sterling | 1.00 | — | ..... | 9.55 |
| Yen | 1000.0 | — | ..... | 5.08 |
| **Deposit Fund** | | | | |
| Sterling Deposit | 189.7 | 189.8 | ..... | 0.13 |

All funds are daily dealings.

**Schroder Mngt Services (Jersey) Ltd**
PO Box 195, St Helier, Jersey. 0534-27561

| | | | | |
|---|---|---|---|---|
| **Schroder Money Funds Ltd** | | | | |
| Sterling | | £15.4644 | ..... | 9.86 |
| U.S. $ | | $29.2331 | ..... | 10.69 |
| D-Mark | | DM53.9365 | ..... | 4.59 |
| Swiss franc | | SF52.7042 | ..... | 4.21 |

**J. Henry Schroder Wagg & Co. Ltd.**
120, Cheapside, EC2. 01-382 6000.

| | | | | |
|---|---|---|---|---|
| Am In Tst Sept 26 | $23.61 | — | ..... | 1.90 |
| Asian Fd May Oct 8 | $22.20 | 23.26 | ..... | 3.87 |
| Cheapside Oct 9 | $10.20 | — | ..... | 2.94 |
| Darling Fd Oct 12 | $3.57 | 3.80 | +0.01 | 4.5 |
| Japan Fund Oct 11 | $16.69 | 17.94 | ..... | 0.22 |
| Trafalgar Fd Sept 30 | $16.35 | 17.35 | ..... | — |
| Naess & Th Oct 9 | $38.27 | | | |

**Schroder Unit Trust Mgrs. Int. Ltd.**
Box 273 St. Peter Port, Guernsey. 0481 28750

| | | | | |
|---|---|---|---|---|
| Mngd. Currency* | 580.4 | 621.3 | −0.7 | 6.44 |
| £ Fixed Interest* | 630.3 | 664.8 | +4.9 | 7.52 |
| £ Equity* | 163.5 | 174.9 | +0.4 | 2.29 |
| $ Fixed Interest* | $1.029 | 1.107 | ..... | 9.38 |
| $ Equity* | $1.509 | 1.614 | +0.009 | 0.62 |
| Hong Kong Fund* | $7.203 | 7.704 | +0.001 | 2.60 |
| **Schroder Life Assurance Int. Ltd.** | | | | |
| Mngd. Currcy Life Fd | 662.0 | 711.3 | ..... | — |
| £ Fixed Int Life Fd | 761.5 | 818.2 | ..... | — |
| £ Equity Life Fd | 173.5 | 186.4 | ..... | — |
| $ Fixed Int Life Fd | $1.351 | 1.452 | ..... | — |
| $ Equity Life Fd | $1.487 | 1.598 | ..... | — |
| £ Managed Life Fd | 122.5 | 131.6 | ..... | — |
| Hong Kong Life Fd | 6.654 | 7.150 | ..... | — |

Prices, October 10. Next dealing October 17. *Daily dealing.

**Scrimgeour Kemp-Gee Mngmt., Jersey**
1, Charing Cross St. Helier, Jersey. 0534 73741

| | | | | |
|---|---|---|---|---|
| SKG Capital Fund | 293.1 | 302.0 | ..... | — |
| SKG Income Fund | 64.3 | 66.3 | ..... | 8.63 |
| Gilt Bond | 168.0 | 176.9 | ..... | — |

**Securities Selection Ltd.**

**Stronghold Management Limited**
P.O. Box 315, St. Helier, Jersey. 0534-71460

| | | | | |
|---|---|---|---|---|
| Commodity Trust | 62.40 | 65.91 | ..... | — |

**Surinvest (Jersey) Ltd.**
4, Hill St, Douglas, Isle of Man 0624 29441

| | | | | |
|---|---|---|---|---|
| Copper Trust | £13.22 | 13.96 | −0.02 | — |

**TSB Trust Funds (C.I.)**
26 Hill St., St. Helier, Jersey (CI). 0534 73494

| | | | | |
|---|---|---|---|---|
| TSB Gilt Fund Ltd. | 99.0 | 102.0 | ..... | 11.76 |
| TSB Gilt Fd. (Jsy.) Ltd. | 99.0 | 102.0 | ..... | 11.76 |
| TSB Jersey Fund | 89.9 | 94.7 | ..... | 4.00 |
| TSB Guernsey Fund | 89.9 | 94.7 | ..... | 4.00 |
| TSB Currency Fund | 100.9 | 106.0 | ..... | — |

Prices on October 10. Next sub. day October 17.

**Taiwan (R.O.C.) Fund**
c/o Vickers da Costa Ltd, King William St, London EC4. 01-623 2494
NAV $473. IDR value US$12,106.48.

**Target Trust Mngrs (Jersey) Ltd**
PO Box 194, St Helier, Jersey. 0534-72936

| | | | | |
|---|---|---|---|---|
| Man Currency Fund | 102.2 | 107.8 | ..... | 4.27 |

**Tennant (Cayman) Managers Ltd and NATCO**
PO Box 2189, Grand Cayman. 0101 (809) 9497436

| | | | | |
|---|---|---|---|---|
| Westminster Commodity | $9.03 | — | ..... | — |

**Tokyo Pacific Holdings NV**
Intimis Management Co NV, Curacao.
NAV per share $139.22.

**Tokyo Pacific Hldgs. (Seaboard) NV**
Intimis Management Co NV, Curacao.
NAV per share $101.59.

**Tyndall Bank (Isle of Man) Ltd.**
30, Athol St., Douglas, Isle of Man 0624 29201

| | | | | |
|---|---|---|---|---|
| Stg Money Fd | — | — | ..... | 10.125 |
| US$ Money Acc. | — | — | ..... | 10.00 |

**Tyndall Managers**
2 New St, St Helier, Jersey. 0534 37331/3

| | | | | |
|---|---|---|---|---|
| TOFSL | 187.2 | 201.1 | ..... | 1.24 |
| American | 201.0 | 217.4 | ..... | 1.85 |
| Far Eastern | 252.0 | 269.6 | ..... | 0.97 |
| European | 109.8 | 117.6 | ..... | 0.85 |
| Portfolio Sel—Managed | 100.9 | 108.5 | ..... | — |
| Portfolio Sel—American | 97.2 | 105.2 | ..... | — |
| Portfolio Sel—Far East | 103.8 | 111.0 | ..... | — |
| Portfolio Sel—European | 103.3 | 110.6 | ..... | — |
| Jersey Fd | 170.2 | 186.0 | ..... | 5.16 |
| (Non-J. Acc. Uts.) | 404.4 | 441.6 | ..... | — |
| Gilt Fd | 115.0 | 117.2 | ..... | 10.27 |
| (Accum. shares) | 303.0 | 308.4 | ..... | — |
| Victory House, Douglas, IoM. | | | | 0624 24111 |
| High Inc Gilt | 114.8 | 117.2 | ..... | 12.51 |
| (Accum. Shares) | 207.2 | 211.2 | ..... | — |

**Tyndall International Assurance Ltd**
Albert House, St Peter Port, Guernsey 0481 27066

| | | | | |
|---|---|---|---|---|
| International Equity | 427.9 | 450.5 | ..... | — |
| Do. $ | 5.265 | 5.545 | ..... | — |
| Pacific Equity | 130.3 | 137.2 | ..... | — |
| Do. $ | 1.600 | 1.685 | ..... | — |
| North Amer. Equity | 87.8 | 92.5 | ..... | — |
| Do. $ | 1.080 | 1.140 | ..... | — |
| UK Equity | 287.4 | 302.6 | ..... | — |
| Do. $ | 3.535 | 3.725 | ..... | — |
| European Equity | 115.2 | 121.3 | ..... | — |
| Do. $ | 1.415 | 1.490 | ..... | — |
| Internatl. Fixed Int. | 431.3 | 454.0 | ..... | — |
| Do. $ | 5.305 | 5.585 | ..... | — |
| Sterling Fixed Int. | 267.2 | 281.4 | ..... | — |
| Do. $ | 3.285 | 3.460 | ..... | — |
| Dollar Deposit | 139.7 | 147.1 | ..... | — |
| Do. $ | 1.720 | 1.815 | ..... | — |
| Sterling Deposit | 154.8 | 163.0 | ..... | — |

**Yamaichi Dynamic Mngt Co SA**
10A Boulevard Royal, Luxembourg

| | | | | |
|---|---|---|---|---|
| Dynamic Gwth Fd | $9.52 | — | −0.06 | — |

**Wren Commodity Management Ltd.**
10, St George's St, Douglas IoM. 0624 25015

| | | | | |
|---|---|---|---|---|
| Wren Com. Fund | 12.8 | 13.5 | ..... | 3.10 |
| Chinese Fund | 59.9 | 62.4 | ..... | 1.70 |
| Precious Metal Fund | 122.6 | 127.7 | ..... | 8.30 |
| Vanguard Cmdy. Fd. | 26.0 | 26.7 | ..... | 2.26 |
| Financial Futures Fd. | 32.1 | 33.4 | ..... | — |

## Money Market Trust Funds

| | Nom | Apr | Int Cr | Notice |
|---|---|---|---|---|
| **Mallinhall Ltd** 36 Berkeley Sq, W1X 5DA. 01-499 6634 | | | | |
| M'hall Mny Fd | 9.88 | 10.27 | Qtrl | Call |
| **The Money Market Trust** 63 Qn Victoria St, EC4N 4ST. 01-236 0952 | | | | |
| Call Fnd | 10.71 | 11.07 | +0.10 | Call |
| 7-day Fnd | 10.53 | 10.88 | +0.04 | 7-day |
| **Oppenheimer Money Management Ltd** 66 Cannon St, EC4N 6AE. 01-236 1425 | | | | |
| Call Fnd | 10.64 | 10.92 | 6-mth | Call |
| 7-day Fund | 10.25 | 10.51 | 6-mth | 7-day |
| Money Mngt. Acct. | 10.37 | 10.79 | 3-mth | Call |
| Dollar | 8.75 | 8.94 | 6-mth | 2-day |

## Money Market Bank Accounts

| | Nom | APR | Int Cr | Notice |
|---|---|---|---|---|
| **Aitken Hume** 30 City Road, EC1Y 2AY. 01-638 6070 | | | | |
| Treasury Acc | 10.375 | 10.78 | Qtrl | Call |
| Monthly Inc. Chq. Acc. | 10.25 | 10.74 | Mthl | Call |
| **Bank of Scotland** 38 Threadneedle St, EC2P 2EH. 01-628 8060 | | | | |
| Cheque Acc | 10.10 | 10.58 | Mthl | Call |
| **Barclays Prime Account** PO Box 125, Northampton 0604 252891 | | | | |
| High Int. Cheque | 10.00 | 10.38 | Qtrl | Call |
| **Britannia Grp of Investment Companies** 29 Finsbury Circus, EC2M 5QL. 01-588 2777 | | | | |
| Cater Allen | 10.375 | 10.88 | Mthl | Call |
| **Charterhouse Japhet plc** 1 Paternoster Row, EC4M 7DH. 01-248 3999 | | | | |
| Sterling | 10.25 | 10.75 | Mth | Call |
| U.S. Dollar | 10.50 | 11.17 | Mth | Call |
| German Marks | 5.0 | 5.19 | Mth | Call |
| Swiss francs | 2.0 | 2.05 | Mth | Call |
| Japanese Yen | 6.0 | 6.25 | Mth | Call |
| **Chartertons** 30 Ashley Rd, Altrincham, Cheshire, WA1 2DW 061-928 9011 | | | | |
| Cheque Acc | 10.56 | 11.09 | Mthl | Call |
| **Co-operative Bank** 78-80 Cornhill EC3 01-626 6543 Ex 464 | | | | |
| Cheque & Save | 8.50 | 8.77 | Qtrl | Call |
| Over £1,000 | 10.00 | 10.38 | Qtrl | Call |
| **Darlington & Co Ltd** Darlington, Totnes, Devon TQ9 6JE. 0803 862271 | | | | |
| Money Mkt Acc | 10.25 | 10.66 | Qtrl | Call |
| **Lombard North Central PLC** 17 Bruton St, W1A 3DH. 01-409 3434 | | | | |
| Notice Dep | 10.625 | 10.91 | Rated | 14-day |
| **M & G/Kleinwort Benson** 91-99 New London Rd, Chelmsford. 0245 51651 | | | | |
| High Int Cheque Acc | 10.50 | 10.85 | Daily | Call |
| **Midland Bank plc** PO Box 2, Sheffield. 0742 20999 Ext 8738 | | | | |
| High Int Chq | 10.00 | 10.38 | Qtrl | Call |
| **Save & Prosper/Robert Fleming** 28 Western Rd, Romford RM1 3LB. 0708 66966 | | | | |
| High Int. Sad. Acc. | 9.71 | 10.20 | Daily | Call |
| Premier Acc. | 9.71 | 10.20 | Daily | Call |
| **Tyndall & Co** 29-33 Princess Victoria St, Bristol BS8 4BX. 0272 732241 | | | | |
| Demand Acc | 10.28 | 10.69 | Qtrl | Call |

# FT LONDON SHARE INFORMATION SERVICE

## BRITISH FUNDS

"Shorts" (Lives up to Five Years)

| 1984 High | Low | Stock | Price £ | + or − | Yield Int. | Red. |
|---|---|---|---|---|---|---|
| 105¾ | 101 | Treas. 15pc 1985 | 101 | − | 14.79 | 10.51 |
| 102¾ | 100 | Exch. 12pc Cnv. '85 | 100 | + | 11.92 | 10.41 |
| 96 | 93 | Treas 3pc 1985 | 96 | + | 3.13 | 9.92 |
| 102⅝ | 99 | Treas 11½pc 1985 | 100 | + | 11.44 | 10.60 |
| 99¾ | 96 | Treas 8¾pc Cnv '85 | 98 | + | 8.89 | 10.58 |
| 104 | 99⅞ | Exch. 12¼pc 1985 | 101 | + | 12.08 | 10.80 |
| 103 | 99 | Exch. 11¾pc '86 | 100 | + | 11.64 | 10.91 |
| 102 | 96 | Treas. 10pc Cnv 1986 | 98¾ | + | 10.13 | 10.94 |
| 91⅝ | 88¾ | Treas 3pc 1986 | 91⅝ | + | 3.27 | 8.70 |
| 102 | 96¾ | Exch. 10½pc Cv '86 | 99 | + | 10.56 | 10.86 |
| 104 | 99 | Treas 12pc 1986 | 101⅛ | + | 11.87 | 11.19 |
| 98¾ | 93½ | Treas 8½pc 1984-86‡‡ | 96⅛ | + | 8.84 | 10.96 |
| 108 | 102 | Exch. 14pc 1986 | 105⅛ | + | 13.32 | 11.15 |
| 87¼ | 85 | Exch. 2½pc 1986 | 87¼ | + | 2.87 | 9.28 |
| 107 | 100 | Exch. 13¼pc 1987 | 103 | + | 12.76 | 11.30 |
| 100⅞ | 94½ | Treas 10¼pc Cv '87 | 97 | +⅛ | 10.48 | 11.29 |
| 86½ | 83½ | Exch 2½pc 1987 | 85⅞ | +⅛ | 2.91 | 9.26 |
| 101 | 94½ | Exch. 10½pc 1987 | 98⅝ | +½ | 10.65 | 11.15 |
| 92 | 87 | Funding 6½pc '85-87‡‡ | 90⅛ | ...... | 7.21 | 11.01 |
| 99⅝ | 92⅞ | Treas. 10pc 1987 | 96⅝ | + | 10.35 | 11.48 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH AND AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

## AMERICANS

## CANADIANS

## BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

## BEERS, WINES & SPIRITS

## BEERS, WINES—Cont.

## BUILDING INDUSTRY, TIMBER AND ROADS

## CHEMICALS, PLASTICS

## DRAPERY AND STORES

## DRAPERY & STORES—Cont.

## ELECTRICALS

## ENGINEERING

## ENGINEERING—Continued

## FOOD, GROCERIES, ETC

## HOTELS AND CATERERS

## HOTELS—Continued

## INDUSTRIALS (Miscel.)

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## INDUSTRIALS—Continued

## INSURANCES

## LEISURE

## LEISURE—Continued

## MOTORS, AIRCRAFT TRADES

### Motors and Cycles

### Commercial Vehicles

### Components

### Garages and Distributors

## NEWSPAPERS, PUBLISHERS

## PAPER, PRINTING ADVERTISING

## PROPERTY

## PROPERTY—Continued

## SHIPPING

## SHOES AND LEATHER

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## TEXTILES

## TOBACCOS

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### Investment Trusts

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## OIL AND GAS

## OIL AND GAS—Continued

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## PLANTATIONS

### Rubbers, Palm Oil

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## MINES

### Central Rand

### Eastern Rand

### Far West Rand

### O.F.S.

### Finance

### Diamond and Platinum



## MINES—Continued

### Central African

### Australians

### Tins

### Miscellaneous

| 1984 High | Low | Stock | Price | + or - | Div Net | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 175 | 100 | ♥Colby Res Corp | 100 | ...... | — | — | — |
| 955 | 550 | Cons. Murch. 10c | 640 | ...... | †Q100c | 1.4 | 7.7 |
| 36 | 25 | ✝Ennex Int. Ir10p | 34 | −1 | — | — | — |
| 252 | 160 | Hampton Areas 10p | 183 | ...... | 3.75 | 2.1 | 2.8 |
| 205 | 140 | ♥Highwood Res | 180 | ...... | — | — | — |
| £24½ | £16 | Homestake Mining $1 | £21 | +⅛ | Q20c | — | 0.8 |
| 210 | 135 | ♥McFinley Red Lake | 165 | ...... | — | — | — |
| 229 | 101 | ♥Musto Explorations | 195 | −7 | — | — | — |
| 55 | 25 | ♥New Sabina Res C$1 | 27 | ...... | — | — | — |
| 365 | 220 | Northgate C$1 | 285 | ...... | — | — | — |
| 718 | 500 | RTZ | 597 | −3 | †18.0 | 2.7 | 4.4 |
| £155½ | £113½ | Do. 9⅛pcLn '95-2000 | £136 | +1 | Q9½% | 35.4 | †7.1 |
| £31¼ | 850 | ♥Tara Exptn $1 | 950 | −30 | — | — | — |

## NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ° "Tap Stock".
- °+ Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ✝ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- ♦ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♦ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ♦♦ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1983-84. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

## REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

| | | | | | |
|---|---|---|---|---|---|
| Albany Inv 20p | 82xd | ...... | Arnott | 195 | ...... |
| Craig & Rose £1 | £11 | ...... | CPI Hldgs. | 57 | ...... |
| Finlay Pkg. 5p | 44xd | ...... | Carrol Inds. | 117 | ...... |
| Higsons Brew | 83 | ...... | Dublin Gas | 65 | ...... |
| Holt (Jos) 25p | 890xd | ...... | Hall (R. & H.) | 47 | ...... |
| IoM Stm. £1 | 105 | ...... | Heiton Hldgs. | 15 | ...... |
| IRISH | | | Irish Ropes | 35 | ...... |
| Exch. 12% 1985 | £99¾ | ...... | Jacob (W. & R.) | [illegible] | ...... |
| Nat. 9¾% 84/89 | £94 | ...... | TMG | [illegible] | ...... |
| Fin. 13% 97/02 | [illegible] | ...... | Unidare | [illegible] | ...... |

## OPTIONS — 3-month call rates

| | | | | | |
|---|---|---|---|---|---|
| **Industrials** | p | Hawker Sidd | 38 | Vickers | 14 |
| Allied-Lyons | 15 | Hse of Fraser | 25 | Woolworth Hldg. | 50 |
| BCC Grp | 27 | ICI | 42 | | |
| BSR | 26 | 'Imps' | 12 | **Property** | |
| Babcock | 17 | ICL | 7½ | Brit Land | 11 |
| Barclays Bank | 45 | Ladbroke | 23 | Cap Counties | 16 |
| Beecham | 32 | Legal & Gen | 45 | Land Secs | 25 |
| Blue Circle | 40 | Lex Service | 40 | MEPC | 25 |
| Boots | 16 | Lloyds Bank | 50 | Peachey | 17 |
| Bowaters | 25 | 'Lofs' | 3 | Samuel Props | 12 |
| Brit Aerospace | 20 | Lucas Inds | 18 | Sterling Guar. | 4 |
| BAT | 15 | 'Mams' | 14 | | |
| Brown (J.) | 3 | Marks & Spcr | 20 | **Oils** | |
| Burton Ord | 22 | Midland Bk | 36 | Brit. Oil & Min. | 9 |
| Cadburys | 11 | NEI | 10 | Brit Petroleum | 35 |
| Comm Union | 16 | Nat West Bk | 50 | Burmah Oil | 17 |
| Courtaulds | 11 | P & O Dfd | 25 | Charterhall | 9 |
| Debenhams | 14 | Plessey | 20 | Premier | 6 |
| Distillers | 22 | Racal Elect | 18 | Shell | 55 |
| Dunlop | 5 | RHM | 8 | Tricentrol | 20 |
| FNFC | 6¼ | Rank Org Ord | 24 | Ultramar | 40 |
| Gen Accident | 42 | Reed Intnl | 40 | | |
| Gen Electric | 16 | Sears | 8 | **Mines** | |
| Glaxo | 70 | TI | 22 | Charter Cons | 24 |
| Grand Met | 30 | Tesco | 16 | Cons Gold | 58 |
| GUS 'A' | 55 | Thorn EMI | 55 | Lonrho | 12 |
| Guardian | 50 | Trust Houses | 18 | Rio T Zinc | 50 |
| GKN | 20 | Turner Newall | 10 | | |
| Hanson Tst | 17 | Unilever | 75 | | |

A selection of Options traded is given on the London Stock Exchange Report page.

"Recent Issues" and "Rights" Page 28

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £700 per

FINANCIAL TIMES
Saturday October 13 1984



## MAN IN THE NEWS

# Staying left for 100 years

BY JOHN BOURNE

IF A WEEK is a long time in politics, Manny Shinwell, who is due for star billing by the media and his colleagues on his 100th birthday next Thursday, ought to regard his 54 years at Westminster as an eternity. But he doesn't.

This week, Lord Shinwell has been chatting to seemingly endless queues of interviewers about Lloyd George, Baldwin, Keir Hardie and his other hero, Churchill, as if it were all yesterday. And he is perking up at the prospect of another year of regular debating in the upper house.

He also briefly swats at Arthur Scargill and Neil Kinnock.

Speaking like a riveting gun, he says: "I've told the miners they would have never had a Scargill if their leaders had done what I told them when I was Minister of Fuel and Power in charge of nationalising the mines. 'Delegate three of your executive to be designate members of the new NCB,' I advised, 'and be partners not employees. The future of your movement depends on being part of the industry's administration.' But Sir William Lawther and his NUM colleagues refused.

And Neil Kinnock and the Labour party? "Kinnock? I said to him recently 'Hello boy. Take that smile off your face. You won't win elections just on charm'."

There's something pugilistic about Shinwell. As the octogenarian chairman of the Parliamentary party, helping to keep Harold Wilson in power with a Labour majority of only three, he was regarded by Tribune Group MPs as being slightly to the right of Genghis Khan.

He has always been aggressive. On being told in the Commons a long time ago by a Tory MP to go back to Poland (Shinwell's origins were Jewish Polish/Dutch), he once recalled, "I left my seat, grasped the offending member by the lapels and struck him on the side of the jaw. The MP was Commander Bower, one-time lightweight champion of the Royal Navy. Had I known this I would never have gone near him."

Born on the day when General Gordon was still being besieged in Khartoum, Shinwell was brought up in the East End and then the Gorbals. He made his mark as a trade unionist, being known as "a Red" of the Clyde after being sentenced in 1919 to five months in prison (Willie Gallacher the Communist got three months) on a charge of enciting to riot.

In 1922 Shinwell became the Independent Labour Part's MP for Linlithgow and was Minister for Mines in Ramsay MacDonald's first Labour Government. He then refused a position in the National Government.

A controversial figure in his party—as Secretary for War in 1950-1951 he supported conscription—Manny remains an early socialist; ready o admit to once regarding Trotsky as a hero (but never Stalin), always a militant idealist on education and industrial affairs but never a revolutionary.

# Coal strike parties remain divided

BY JOHN LLOYD, INDUSTRIAL EDITOR

THE National Coal Board and the National Union of Mineworkers ended a second day of talks at the Advisory, Conciliation and Arbitration Service last night with no movement on a fundamental issue which has divided them since March—the closure of uneconomic pits.

Mr Arthur Scargill, the NUM president, emerged from Acas headquarters in London last night to say that "the fundamental differences between us remains."

Earlier, Mr Ian MacGregor, the board chairman, had said he would "never, never" compromise on its right to manage the industry. The two sides have agreed to meet again this afternoon, but hopes are slim for a breakthrough on the issues of principle to which both still adhere.

The NUM ended the talks yesterday by tabling a new paper, slightly modified by Acas, which is being considered by the NCB overnight and will form the basis for negotiations today.

The two days of talks at Acas have seen the tabling of four separate papers. On Thursday morning, Acas put forward modified proposals from the union, which proposed that all colliery closures should be referred to a Colliery Review procedure.

A crucial phrase—"in line with the Plan for Coal"—signified the union's insistence that all decisions be subject to the plan's programme for planned expansion in coal production.

The draft also proposed that the review procedure be amended to include an independent appeals body which would consider all proposed closures and whose adjudication would be binding. However, the draft also proposed an alternative wording by which the body would have advisory status. This said that all parties would give "full weight" to its judgments.

Later that day, the NCB tabled a note largely identical to the NUM draft but, crucially, omitting the phrase "in line with the Plan for Coal" and insisting that the appeals body be advisory only.

Yesterday, Acas tabled a fresh paper in an effort to reconcile these two notes. The Acas document gave advisory status to the appeals body, but it is not known how this paper treated the fundamental issue of the Plan for Coal.

The document from the NUM last night is likely to contain the vexed phrase and is thus unlikely to be acceptable to the board.

By late last night, the NCB had agreed to the Acas document, tabled yesterday, as had the managers' union, the British Association of Colliery Management. Nacods, the pit deputies' union, had reserved its position on the proposal, which goes a long way towards conceding the union's demand for an appeals body, though Nacods would prefer to see the judgment made binding.

Neither Mr Scargill nor Mr MacGregor tried to dispel the impression that their incompatible demands had in no way been moderated.

Peace talks background, Page 5

# Annual inflation rate falls to 4.7%

BY PHILIP STEPHENS

BRITAIN'S annual inflation rate fell to 4.7 per cent last month from 5 per cent in August, lending support to the Government's view that upward pressure on prices remains subdued.

The Employment Department said yesterday that the retail price index rose by only 0.3 per cent in September, well below most City expectations.

The fall in the annual rate took it within sight of the 4.5 per cent target set by the Government for the last quarter of 1984.

Without August's sharp increase in mortgage interest rates prices would be rising by only about 4 per cent a year. Interest rates since August and Banks have lowered their further reductions are expected in coming months.

At present, however, it seems unlikely that building societies will cut their lending charges in time for the Government to meet its prices target.

Instead ministers expect the inflation rate to hover between 4.5 and 5 per cent for the rest of 1984 before falling again early next year.

The Government clearly hopes that the evidence that inflation is under control will persuade pay negotiators to moderate their claims, although signs so far from the car industry have not been encouraging.

Average earnings have recently been growing by 7½ to 8 per cent annually, giving hefty real-wage increases.

Much of the impact on inflation of high pay settlements has been offset by strong productivity gains, but in recent months the pace of such gains has slowed.

The worry for the Government is that the resulting acceleration in unit wage costs may begin to feed through to prices, or alternatively may result in higher unemployment as companies lay-off workers to keep costs down.

The immediate outlook for inflation, however, looks encouraging.

September's modest increase in the retail price index reflected a sharp fall in seasonal food prices, and in past years there have also been declines in October.

Recently announced increases in petrol, tea and telephone prices will feed through to the index in coming months, while sterling's fall against other currencies could push up import prices. *None of these factors* appear sufficient to provike a strong upsurge in inflation.

The department said that the index rose to 355.5 in September (January 1974=100) from 354.8 in August.

The tax and price index, which measures the effect of price rises and tax changes on incomes, rose by 3.5 per cent in the year to September to 182.2 (January 1978=100).

# Capel and Gerrard to link up

By John Moore, City Correspondent

JAMES CAPEL, the stockbroking firm which is to be acquired by Hongkong and Shanghai Banking Corporation, plans to set up a joint company with Gerrard & National, the discount house, to make markets in British Government securities.

Capel and Gerrard are expected to inject between £20m and £30m capital into the joint venture.

The link-up, announced yesterday, marks another major realignment in London's financial community.

Gerrard & Capel, as the joint company will be called, is to apply to the Bank of England to become an authorised market maker in British Government securities. The move comes as the Bank of England prepares proposals to restructure the entire market in such securities.

Mr Robert Elkington, a managing director of Gerrard, said that his group and Capel had decided independently that they wanted to be market makers.

Mr David Dugdale, of James Capel, said the 50-50 joint venture would allow each side to "become a major player in the gilt-edged market." Mr Dugdale is to be chairman of the new joint venture and Mr Elkington chief executive.

Mr Dugdale said that a main advantage of the deal for clients was that the broking-agency work of Capel would remain part of the broker, separate from the market-making operation.

Continued from Page 1

# Thatcher on rule of law

ment's attitude to unemployment. She repeatedly stressed that the Goverment cared but she gave no hint of any shift of policy.

In pointing out the importance of high productivity and personal enterprise the Prime Minister invoked both Lord Keynes and the 1944 Employment White Paper.

The Prime Minister said that the "spirit of enterprise provided jobs," and the role of government was to cut taxes, inflation and regulations.

In the face of demands for higher public spending, Mrs Thatcher challenged the critics to say which taxes were to be put up. She maintained that the Government was going ahead with major capital investments such as the M25 orbital motorway around London and some British Rail electrification.

Mrs Thatcher's remarks on unemployment were received quietly but might have proved more contentious in different circumstances.

The Prime Minister pledged that the denationalisation programme would continue throughout this parliament and coined the slogan that "We Conservatives want every owner to be an earner and every earner to be an owner."

# Brighton bomb kills 3, injures 30

Continued from Page 1

**concentrated in the conference centre, next door to the Grand Hotel, where rumours circulated about the identities of the victims.**

**The explosion occurred when the hotel's bar and foyer had been crowded with people attending the conference—many in evening dress and fresh from the annual party ball.**

**Mrs Thatcher was working with Mr John Gummer, the party chairman, in the first floor Napoleon Suite. Mr Denis Thatcher was asleep in the next door bedroom, while Mr Leon Brittan, the Home Secretary, and Sir Geoffrey Howe, the Foreign Secretary were in adjacent first floor suites.**

**Mr Tebbit and Mr Wakeham are believed to have been in fifth-floor suites. The police believe the bomb was set off on the sixth floor. The central section of the top three floors collapsed inwards, opening up a deep gash in the hotel facade and wrecking the Thatchers' bathroom.**

**Tons of rubble poured into a hole behind the facade stretching from basement to roof. Both Mr Wakeham and Mr Tebbit fell several floors and were trapped for more than four hours before being freed by firemen. Mr Tebbit, dressed only in his pyjama trousers, looked in obvious pain when rescued.**

**The explosion is bound to raise questions about security arrangements at party conferences. Until now these conferences have been noted for their informality, with senior ministers, MPs and conference representatives all in close contact until the early hours of the morning in the bars and corridors.**

**Although plainclothes Special Branch men were on duty throughout the hotel, and a conference pass was required to enter the area near the Grand Hotel, movement round the hotel was otherwise easy.**

**Mr Roger Birsh, chief constable for Sussex, said last night security was tighter than at previous conferences but total protection was impossible "in a democratic society." He said arrangements had been appropriate to the occasion.**

**Security experts in Belfast believe the bomb was *probably hidden in the hotel before the conference* began and then activated by remote control.**

**A special inquiry, under Mr John Hoddinott, the deputy chief constable of Hampshire, has been established to see what happened. As a priority this is looking into room occupancy and the fact that at conference hotels rooms are sometimes allocated to people who do not necessarily stay in them.**

**Mr Douglas Hurd, the Northern Ireland Secretary, said: "It is foolish to speculate on the possibility of an autumn offensive by the IRA."**

**Mr James Prior, the former Northern Ireland Secretary, said he thought the bomb had been planted by an IRA cell which had been lying low in Britain for some while.**

**Mr Prior, who was not at the conference, said in a BBC television interview: "The fact of the matter is if you have very determined people and people who have been lying low for a very long time, it is just possible they could get in and do this.**

**"You have to remember that the IRA have had a lot of setbacks recently. They lost a big shipment of arms when they were discovered only 10 days to a fortnight ago."**

**There was universal condemnation of the bomb attack with messages of condolence coming to Mrs Thatcher from the Queen, the Archbishop of Canterbury, the leaders of the Oppositon parties and world leaders including Dr Garret Fitzgerald, the Irish Prime Minister. In a message of condolence he expressed his "outrage at the bomb attack" and said it made Anglo-Irish co-operation more necessary than ever before. Mr Neil Kinnock, the Labour leader, expressed support for the Prime Minister's decision to carry on the conference arrangements as normal despite the attack.**

**Mrs Thatcher is said by advisers to have particularly appreciated his message as a reaffirmation of stressing the importance of democratic procedures.**

Continued from Page 1

# Sombre

representative took a more penetrating view.

He said he was shocked at the explosion but, in view of the general build-up of violence in the UK, was not surprised. Although he saw the arguments for carrying on with the conference, it might have been better called off as a mark of respect. He pointed to the seeming preparedness to accept such violence as part of a way of life: "My God, what's happening to us in this country?"

## CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

| | | | |
|---|---|---|---|
| Treas 13¼pc 2000/03 | £123¼ | + | 1¼ |
| Treas 2½pc 2009IL | £99¼ | + | 1¼ |
| Avana | 485 | + | 19 |
| BOC | 243 | + | 9 |
| BPB Inds | 265 | + | 20 |
| Bradford Prop | 345 | + | 23 |
| DRG | 180 | + | 6 |
| Dowty | 185 | + | 8 |
| Fisher (A.) | 111 | + | 5 |
| Hanson Trust | 252 | + | 6 |
| MK Electric | 290 | + | 10 |
| Marler Estates | 117 | + | 9 |
| Meyer Intl | 124 | + | 10 |
| RMC | 370 | + | 8 |
| Reed Intl | 476 | + | 10 |
| Renishaw | 295 | + | 7 |
| Tarmac | 470 | + | 12 |
| Victor Products | 98 | + | 11 |
| Westland | 140 | + | 12 |
| Eglinton Oil & Gas | 83 | + | 6 |
| Anglo-Indonesian | 205 | + | 20 |

FALLS

| | | | |
|---|---|---|---|
| Comm. Union | 185 | − | 8 |
| House of Lerose | 113 | − | 7 |
| Mercantile Hse | 284 | − | 8 |
| Mowlem | 194 | − | 10 |
| Raybeck | 25 | − | 2 |
| Turriff | 238 | − | 9 |
| Vinten | 268 | − | 27 |
| Atlantic Resrces. | 98 | − | 22 |
| Bryson Oil & Gas | 255 | − | 15 |

## WORLDWIDE WEATHER

UK today: England will be mostly dry with sunny intervals. Warm. Outlook: Cloudy in North, mostly dry and sunny in South.

| | | Y'day midday °C | °F |
|---|---|---|---|
| Ajaccio | F | 20 | 68 |
| Algiers | F | 23 | 73 |
| Amsdm. | F | 15 | 59 |
| Athens | | — | — |
| Bahrain | S | 34 | 93 |
| Barclna. | S | 22 | 72 |
| Beirut | S | 30 | 86 |
| Belfast | F | 13 | 55 |
| Belgrd. | C | 17 | 63 |
| Berlin | C | 13 | 55 |
| Biarritz | F | 17 | 63 |
| Bmghm. | C | 14 | 57 |
| Blackpl. | C | 14 | 57 |
| Bombay | F | 31 | 88 |
| Bordx. | F | 17 | 63 |
| Boulgn. | F | 14 | 57 |
| Bristol | F | 16 | 61 |
| Brussels | C | 14 | 57 |
| Budpst. | S | 17 | 63 |
| Cairo | S | 34 | 93 |
| Cardiff | C | 14 | 57 |
| Cape T. | F | 18 | 64 |
| Chicago | C | 19 | 66 |
| Cologne | F | 15 | 59 |
| Cpnhgn. | F | 12 | 54 |
| Corfu | F | 25 | 77 |
| Dallas | | — | — |
| Dublin | F | 15 | 59 |
| Dbrvnk. | S | 24 | 75 |
| Ednbgh. | C | 11 | 52 |
| Faro | S | 22 | 72 |
| Florence | C | 20 | 68 |
| Frankft. | F | 15 | 59 |
| Geneva | F | 16 | 61 |
| Gibraltr. | S | 20 | 68 |
| Gl'sg'w | C | 12 | 54 |
| G'rnsey | S | 15 | 59 |
| Helsinki | F | 10 | 50 |
| H. Kong | F | 27 | 81 |
| Innsbrk. | C | 13 | 55 |
| Invrnss. | R | 8 | 46 |
| I.o Man | C | 14 | 57 |
| Istanbul | S | 24 | 75 |
| Jersey | S | 15 | 59 |
| Jo'burg | F | 21 | 70 |
| L. Plms. | C | 25 | 77 |
| Lisbon | | — | — |
| Locarno | S | 19 | 66 |
| London | S | 17 | 63 |
| L. Ang. | S | 24 | 75 |
| Luxmbg. | C | 13 | 55 |
| Madeira | S | 23 | 73 |
| Madrid | S | 21 | 70 |
| Majorca | S | 22 | 72 |
| Malaga | S | 21 | 70 |
| Malta | S | 24 | 75 |
| M'chstr | C | 15 | 59 |
| Melbne. | S | 26 | 79 |
| Mex. C. | | — | — |
| Miami† | S | 22 | 72 |
| Milan | S | 20 | 68 |
| Montreal | S | 14 | 57 |
| Moscow | R | 10 | 50 |
| Munich | S | 15 | 59 |
| Nairobi | C | 21 | 70 |
| Naples | F | 24 | 75 |
| Nassau | | — | — |
| Nwcstl. | F | 14 | 57 |
| N. Delhi | S | 30 | 86 |
| N. York† | C | 15 | 59 |
| Nice | S | 22 | 72 |
| Nicosia | | — | — |
| Oporto | C | 15 | 59 |
| Oslo | S | 13 | 55 |
| Paris | C | 12 | 54 |
| Peking | S | 18 | 64 |
| Perth | C | 19 | 66 |
| Prague | F | 14 | 57 |
| Rykjvk. | R | 5 | 41 |
| Rhodes | S | 31 | 88 |
| Rio J'o | S | 23 | 73 |
| Rome | C | 22 | 72 |
| Salzbrg. | R | 13 | 55 |
| S'ciscot | C | 13 | 55 |
| Singapr. | F | 30 | 86 |
| S'tiago | S | 27 | 81 |
| Stckhm. | S | 9 | 48 |
| Strsbg. | C | 16 | 61 |
| Sydney | S | 25 | 77 |
| Tangier | S | 28 | 82 |
| Tel Aviv | S | 31 | 88 |
| Tenerife | S | 27 | 81 |
| Tokyo | R | 20 | 68 |
| Toronto | F | 19 | 66 |
| Tunis | C | 22 | 72 |
| Valencia | S | 22 | 72 |
| Venice | C | 18 | 64 |
| Vienna | F | 15 | 59 |
| Warsaw | F | 12 | 54 |
| Zurich | C | 16 | 61 |

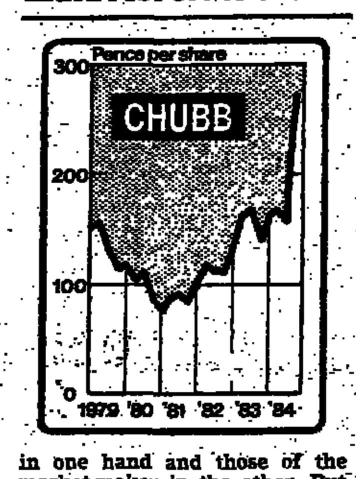
S—Sunny. Sl—Sleet. Sn—Snow. T—Thunder.
† Noon GMT temperatures.

## THE LEX COLUMN

# Mixed marriage in gilt-edged

Equity prices were barely jolted by yesterday's tragic news from Brighton but were later at sixes and sevens over the confused situation in the miners' dispute. In gilt-edged, meanwhile, the Government Broker fed just enough index-linked stock to please the market and still leave the impression that he had no real need for the cash.

Index rose 5.4 to 876.0




### Gerrard/Capel

Yesterday's announcement that James Capel and Gerrard & National are to strike out together into the new-look gilt-edged market was puzzling in almost every respect. Even the timing was hard to interpret. *The Bank of England is not* due to announce the rules of the game until next month, so the two companies found themselves in the position of players who form a partnership without knowing whether they will be called upon to play tennis or ping-pong on the big day.

Presumably both firms felt that they would want to play the game, whatever the rulebook, so there was little to be lost by teaming up at this early stage. It is certainly hard to imagine Gerrard letting slip the opportunity to make a market in gilt-edged.

The argument that Gerrard's market-making skills will complement Capel's distribution network is fine as far as it goes, even if Capel seems to be getting the better end of the bargain. Retail distribution, while helpful, may not be indispensable in the early days. But market-making is not an activity which lends itself to joint ventures of this kind. Firms from such different backgrounds are hardly likely to agree every day on the appropriate exposure for their gilt-edged book. And market-makers cannot easily be run by committee.

Even at the outset of the new market, there will be some overlap between Gerrard's traditional short gilt operations and the activities of the new company. Leaving aside the possible conflicts of interest arising from the two firms operating under the same roof but with distinct ownership, it seems curious to make formal distinctions between bills and gilts when the trend will be towards integration.

In the short-term, the arrangement may be dangerous to Gerrard. It will hold the privileges of the discount house in one hand and those of the market-maker in the other. But the structure unveiled yesterday does not look tenable over the long term and Gerrard may find itself sleeping in an uncomfortable half-way house.

Gerrard has more capital than it needs to run its bill book, so it can easily afford the £15m it may invest in the new venture. But, in the brave new world, there will be plenty of other homes for capital — not least the international arbitrage market.

The Bank of England may derive some satisfaction from yesterday's news. It is probably embarrassed by the number of firms queuing up for a place in the new market and yesterday's deal will reduce the application list by one. Any other merger ideas will be gratefully received.

### Racal/Chubb

Anyone who has been a long-term holder of Chubb shares must by now harbour feelings of gratitude towards Racal, simply for making them an offer. It is hard, at this stage in Chubb's mediocre history, *to think of* anything else which could have lifted the share price to within hailing distance of 300p. And although it is mischievous of Racal to predict that a failure of its bid would lead to a price collapse—a fall to 200p is indicated in bold type in Racal's closing document—it is not hard to see much more being made of Chubb's assets if they were in Racal's hands.

Institutions may never the less have doubts about accepting, on more than one score. There is a standard institutional argument for preferring to have two distinct investment vehicles rather than one conglomerate, but in this case Chubb's record draws much of its sting. More immediately, there may be worries about the strength of Racal's shares in the after market; the absence of an underwritten cash alternative hints at a possibility of weakness should the bid succeed. And if that happened, the convertible element in Racal's offer could wilt to much less than its current value of 111p. All the same, the offer is worth at least 284p—perhaps more to gross funds—and that seems hard to resist.

### Raybeck

When Raybeck dropped the curtain on Bournes last September, most people imagined that the company had left its retailing horror show behind it. The market built its profit forecasts on adding back Bournes' losses, which should have made Raybeck better off to the tune of about £2m a year. Raybeck management, for its part, was talking of a "controlled expansion" in its clothing chains — Lord John, Lady at Lord John, and Best Sellers. And the company held out hopes of sharpening its High Street image by turning some of the menswear shops into garage-like "Detroit" boutiques, aimed at a younger public.

Yesterday's announcement of a £2.7m loss for the half-year to July seems to have put the lid on all that. Management controls in the clothing chains appear to have buckled when Raybeck's attempted expansion did not result in the budgeted sales increase. Merchandise came in at the wrong time, particularly when new lines ordered for Detroit arrived before the re-vamped premises could open, and stock was allowed to pile up when margins ought to have been slashed to make it go.

The awful trading figures largely represent the efforts of management to regain its grip on this chaotic situation, taking the necessary losses to get its stock back in line and improve the selection of merchandise in the stores. In theory, controls now exist to stop this sort of debacle from being repeated. It is possibly to argue that the worst must now be over, but the market is not betting on it. At 25p a share, Raybeck's market value is about £9m—rather less than the supposed value of its mid-year stocks.





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# FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,448 Monday October 15 1984 D 8523 B


Tangles of Reagan's gambit on arms control, Page 15

# NEWS SUMMARY

## GENERAL

## Soviets deploy cruise missiles

The Soviet Union announced that it had begun deployment of long-range cruise missiles on strategic bombers and submarines, in response to the U.S. build-up of air, sea and land-based cruise missiles, it said.

The U.S. State Department said it was not surprised by the Soviet deployment and officials repeated Reagan Administration urgings for the Soviet Union to return urgently to nuclear arms negotiations.

Meanwhile in Helsinki, senior Soviet Politburo member Grigory Romanov said the Soviet Union was ready to negotiate with the U.S. on basic world issues after he accused Washington of wrecking arms talks between the superpowers. He said efforts to prevent the militarisation of space were Moscow's first priority. Page 2

### Missile freeze urged

Romanian President Nicolae Ceausescu, who starts a visit to West Germany today, called for a freeze on deployment of new U.S. and Soviet missiles in Europe and a resumption of arms control talks.

### East-West ties

Hungarian Communist Party leader Janos Kadar arrives in Paris today for a two-day meeting with President François Mitterrand, which both sides view as a chance to improve East-West relations.

### Pit talks resume

Differences in the UK pit dispute have been narrowed to the point where agreement may be close, but a matter of principle still divides the miners' union and the National Coal Board as talks resume today. Page 8

### N-waste study

The UK nuclear industry is studying the feasibility of dumping radioactive waste in repositories beneath the sea bed on the continental shelf. Designs have been prepared, including one involving use of oil-drilling techniques. Page 10

### Tanker fire out

Tugs owned by a Singapore-based salvage company extinguished a blaze aboard the 23,796-tonne liquefied gas tanker Gaz Fountain, hit by rockets in an air attack in the Gulf, but the threat of an explosion remained.

### W. Sahara attack

Polisario guerrillas launched an offensive against Moroccan defence lines, overrunning four Moroccan outposts and causing heavy losses in Western Sahara.

### Neo-Nazi trial

Nine suspected West German neo-Nazis go on trial in West Berlin today on charges of setting up an illegal right-wing organisation with the aim of re-establishing the 1914 German Empire.

### Zimbabwe plea

Zimbabwe opposition leader Joshua Nkomo launched a strong attack on Prime Minister Robert Mugabe's Government during the national congress of his Zapu party and appealed for unity to overcome the country's difficulties.

### Lebanon 'progress'

There had been significant progress in the past few days over U.S.-backed moves to end the Israeli occupation of southern Lebanon, a senior Egyptian official said. Page 3

### Iceland talks

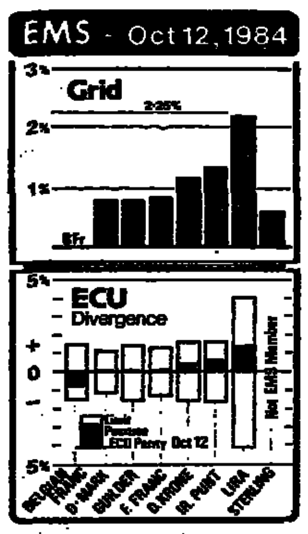
The Iceland Government has started talks with trade union leaders and employers with a promise to trade income tax cuts for low wage rises, in an attempt to end the public-sector strike. Page 3

## BUSINESS

## Novo reduces sales forecast

NOVO INDUSTRI, the Danish enzymes and pharmaceuticals group, is halving its forecast for 1984 sales growth less than two months after releasing unexpectedly poor interim results. Page 16

THE BELGIAN franc improved in the European Monetary System last week, helped by the D-Mark's renewed decline against the dollar. The Belgian unit remained the lowest placed currency but showed no signs of suffering from any down-




ward pressure. The D-Mark's weaker trend in dollar terms reflected a strong underlying sentiment supporting the U.S. unit and there were no signs of the aggressive intervention seen by the West German Bundesbank over the past few weeks.

*The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.*

CHILE's leading commercial bank creditors are urging Western governments to provide financial aid to the Pinochet Government to help to meet a large external financing gap expected in 1985. Page 3

PHILIPPINES returns to a freely floating rate system for the peso today after IMF acceptance of the Government's letter of intent for a $615m standby credit. Page 3

GULF states' monetary authorities are incurring substantial losses in efforts to maintain liquidity in domestic banking systems as capital flows to higher-yielding dollar deposits abroad. Page18

AUSTRALIA is to buy uranium it banned from export to France because of continued French nuclear testing in the Pacific. Shipments might take place in two years.

PAKISTAN is negotiating a $372m contract to buy three frigates from Vosper Thornycroft of the UK as part of a naval modernisation programme. Page 4

JAPAN's trade surplus with the rest of the world in electronics products jumped by over 20 per cent to $23.9bn, according to the country's electronics industries association. Page 16

MICROCHIPS: The key indicator of the health of the world semiconductor industry fell to its lowest level for four years, according to the California-based Semiconductor Industry Association. Page 4

FLETCHER CHALLENGE, New Zealand's largest company, expects to improve on last year's record NZ$107m ($51.95m) profit, despite the downturn in New Zealand's economy. Page 18

BOLIDEN, the Swedish minerals, metals and chemicals group, reached preliminary agreement to buy two gold mines in Canada from Continental Illinois bank of the U.S. for an undisclosed sum. Page 18

# IRA 'planned for three years to kill Thatcher'

BY BRENDAN KEENAN IN DUBLIN AND ANDREW FISHER AND MARGARET VAN HATTEM IN LONDON

THE PROVISIONAL Irish Republican Army planned to kill Mrs Margaret Thatcher and other British Cabinet ministers at last year's conference of the ruling Conservative Party but put off their attempt until this year, according to reports in Dublin yesterday.

The bomb unit was unable to complete its 1983 preparations and so struck last Friday to attempt the assassination decided after the 1981 hunger strikes in Ulster, unnamed Provisionals told a Dublin Sunday newspaper.

Security officials in the Irish capital said the report in the Sunday Press conformed with their own thinking. Commander William Hucklesby, head of Scotland Yard's anti-terrorist branch, said in Brighton yesterday that Mrs Thatcher had been a top target of the IRA since 10 Republican prisoners starved themselves to death.

He also warned that Britain could be in for a new campaign of terrorism from the IRA. The IRA cell responsible for the explosion at the Grand Hotel on the seafront of the South Coast resort might still be in the country.

"It is possible that they have gone back," he told a press conference. "But we do not discount the fact that some may have remained to carry on what they have started."

Four people were killed in the bomb blast, and many injured, including two senior members of the Government – Mr Norman Tebbit, the Trade and Industry Secretary, who suffered a fractured femur and seven fractured ribs, and Mr John Wakeham, chief whip, whose legs were crushed by fallen debris.

Those killed included Sir Anthony Berry MP; Mrs Roberta Wakeham, Mr John Wakeham's wife; Mr Eric Taylor, chairman of the North-west area Conservative association; and Mrs Jeanne Shattock, wife of Mr Gordon Shattock, chairman of the Western area Conservatives.

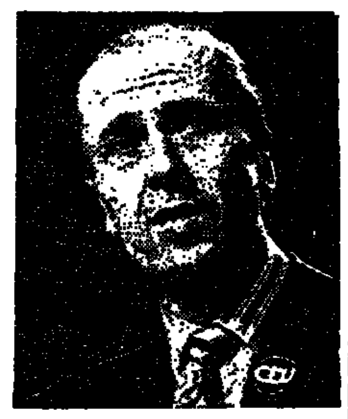
Mr Tebbit and Mr Wakeham were yesterday recovering in hospital. Mrs Thatcher is not expected to appoint replacements pending their return to parliament – their duties will be taken over by their respective deputies, Mr Paul Channon and Mr John Cope.

The Government is awaiting a full police report on the bombing and on security arrangements for the conference, after which a full review of security procedures is expected to begin.

Mrs Thatcher spent the weekend at Chequers, the Prime Minister's country residence, attending morning service at the nearby village of Ellesborough, amid tight security.


Continued on Page 16

Editorial comment, Page 14

Mr Tebbit: in hospital

# Continental Illinois to sell bank operations in four countries

BY WILLIAM HALL IN NEW YORK

CONTINENTAL Illinois, the big Chicago bank that was bailed out by the U.S. banking authorities earlier this year, is to cut its European workforce by nearly a third and has put its banking operations in Belgium, the Netherlands, Switzerland and Bahrain up for sale.

The scale of the cut – 400 jobs are being lost out of a European workforce of 1,300 – is less than expected, given the severity of the bank's recent financial difficulties, and Continental Illinois emphasised yesterday that no more job cuts were planned and the rest of its business in Europe would continue to operate normally.

Continental Bank SA, the group's Belgian operation, is a large and profitable bank and one of the biggest foreign-owned banks in the country with 250 staff and offices in Brussels and Antwerp. The Dutch operation has a balance sheet of around $500m and 70 staff. In Switzerland, the bank has a full banking licence and offices in Zurich and Geneva.

Continental hopes to sell all its operations as going concerns. In July it sold its profitable UK merchant banking subsidiary to First Interstate of the U.S.

M Jean-Louis Recoussine, who heads Continental's European operations, said yesterday that its European business had never stopped being profitable even during the height of the bank's recent financial crisis. He said the rest of the European operations – in the UK, France, West Germany, Italy, Spain and Greece – were at their "critical mass" and further job cuts would just reduce their ability to operate effectively.

The decision to sell or close the four units marks the completion of the bank's review of its European and Middle Eastern network and is part of a worldwide review of Continental's operations.

The bank has to submit a plan to the U.S. Federal Reserve before the end of this month which will outline how it plans to reduce its asset base to a level which can be funded on a "sustainable basis" without the support of the Fed or the $5.5bn U.S. bank safety net.

Even after the cuts in its European network, Continental Illinois will still have a physical presence in the area that will match that of most leading U.S. banks, except for one or two rivals such as Citicorp and Bank of America, which have much larger European branch networks.

M Recoussine said he did not think Continental had "over-invested" in Europe. "If anything, we are short of space," he said.

Aside from the planned sale of the units, he said the bank had no plans to alter the thrust of its European strategy or cut its staff any further at the remaining European locations.

He also noted that over the last few weeks the group's funding in the European markets had improved as more big banks resumed active trading with Continental. "The trend is in the right direction, slow, but positive," M Recoussine said.


Boliden to buy Continental Illinois gold mines, Page 18


# Ford and GM close to deals with U.S. union

BY OUR NEW YORK STAFF

FORD, the second biggest U.S. motor group, and the United Auto worker's Union (UAW), yesterday reached a tentative settlement on a new three-year wages contract after a final 25-hour bargaining session.

The proposed deal follows a settlement between the UAW and General Motors (GM), the world's number one motor manufacturer, which was expected to be ratified by GM's 350,000 union members late last night. According to an early unofficial tally compiled by Associated Press, voting in favour of the GM settlement was running at 59 per cent in favour of acceptance.

The announcement of the tentative Ford settlement and the expected ratification of the GM deal might mean that the two biggest motor manufacturers in the U.S. are assured of industrial peace for the next three years in return for what appears to be modest wage increases and radical promises on job security.

The GM settlement gives its workforce increases of between 1 per cent and 3½ per cent in the first year depending on skills. In the following two years, GM workers will receive lump-sum payments equivalent to 2¼ per cent a year. In addition, workers will receive profit-sharing payments.

It also provides assurances that no worker with more than one year's seniority will be deprived of an income as a result of automation or the transfer of production overseas. It includes a $1bn fund to compensate displaced workers until they can be retrained or placed elsewhere.

The GM deal is complex and differs from earlier deals between the motor manufacturers and the UAW in that the union is promised greater job security and is involved in several important decision-making processes in return for agreements on greater job flexibility. The deal has been difficult to sell to some UAW members because it widens wage differentials.

Details of the proposed Ford settelement have not been disclosed, but Mr Owen Bieber, president of the UAW, said the agreement "follows closely the pattern established by the UAW at GM."

"Other important issues involving specific problems faced by Ford workers have also been resolved successfully. As a result of this settlement, UAW workers at Ford will have greater job security than ever in their history," the UAW said yesterday.

The tentative agreement also provides "significant economic gains immediately and in the years ahead," for Ford's 134,000 UAW members.

The UAW-Ford national negotiating committee has agreed unanimously to recommend the settlement, and it will be put to the Ford national council on Wednesday.

Ford officials yesterday would say little about the deal, which follows one of the longest bargaining sessions in the company's history. The company described it as the best compromise available and said it would allow the company to become more competitive.

Although the Ford settlement is being described as similar to the GM deal, it is understood that there are some significant differences, reflecting the smaller size of Ford relative to GM and the fact that it is not as vertically integrated.


Continued on Page 16


# Leclerc brothers try to discount each other

By David Marsh in Paris

THERE was good and bad news at the weekend for French consumers from the Leclerc Brothers, France's discount kings, who are offering an increasing range of cut-price services for the quick and the dead.

Motorists will benefit this week from a new round in the nationwide petrol price war announced by the elder brother, Edouard, 57, who presides over France's biggest hypermarket network.

The younger Leclerc, Michel, who has been struggling to catch up with Edouard's price-cutting pace, suffered a court ruling against his attempt to bring in discount funerals in the city of Lyons.

Edouard, educated in a Jesuit seminary, has earned the name of the "Pope of the retail trade" after 35 years of cut-price crusading since he started out as a discount grocer in a Brittany shed.

He mixes a moderate dislike for the Socialist Government with a fine nose for publicity. Apart from declaring war on government limits on petrol price rebates, his latest exploits include plans to sell pharmaceuticals and tobacco at below government-regulated prices.

Last week he offered to distribute free food in his 450 retail outlets to the growing numbers of French people living on the poverty line.

As a result of his weekend promise to slash rebates on officially administered petrol prices to 35 centimes, double the legal limit of 17 centimes, Edouard claims to be doing his bit to keep down the cost of living.

Rival petrol operators are not so pleased. Leclerc stores, already offering 25 centimes discount, have faced growing protests from independent petrol dealers.

Michel Leclerc, who runs a separate chain of petrol outlets, made an ill-fated attempt last year to sell cut-price cars

He is now trying – with similar lack of success so far – to break into the cushioned world of French funerals.

Opposition from town councils and the powerful Pompes Funèbres Générales (PFG) group, who are thought to arrange around 40 per cent of French funerals, has been strong. At the weekend, a Lyons court delivered an injunction preventing the luckless Michel from taking on a monopoly for burials in the city granted to the PFG group.

Michel has also announced plans to cut 50 centimes off the regular prices of petrol. But Edouard delivered the coup de grace at the weekend by declaring haughtily that his brother was not financially strong enough to mount the challenge.

# W. German group favourite for DM 1.3bn Chinese steel deal

BY RUPERT CORNWELL IN BONN

THE STRONG prospect that a West German engineering group will win a DM 1.3bn ($420m) steel contract in China has crowned the eminently successful trip last week by Chancellor Helmut Kohl.

According to several reports from China, which could not immediately be confirmed, Schloemann-Siemag, a member of the GHH group, has been picked to supply a new mill for hot-rolled products at the Baoshan complex near Shanghai. Work on the project is likely to start in 2½ years' time.

Such a deal – and indeed the heavily economic slant to the Chancellor's discussions – would be perhaps the strongest sign so far that China is starting to lift its freeze on big capital goods imports from the West.

In addition to the rolling mill, for which Chinese manufacturers will supply DM 200m of equipment, German companies are also understood to be in the running to provide a continuous casting plant scheduled to be built at Baoshan.

Should Schloemann-Siemag succeed, it will mean that the West German concern has beaten off strong Japanese competition. Originally a Japanese company had been earmarked for the project, before it was shelved after the import curbs.

Herr Kohl said yesterday that his week-long trip had given an "important impulse" to his country's industrial co-operation with China.

Apart from the likely steel order, and the signing of the deal for Volkswagen cars to be produced in Shanghai, the two countries are also set to sign a double taxation agreement. The absence of such an agreement is seen here as a substantial obstacle to West German exporters competing for contracts from China.

Peking's wider determination to press on with its more market-oriented economic policy is being emphasised by officials travelling with the Chancellor. For its part, Bonn is providing DM 50m of new development credits, plus DM 20m of technical aid.

On the political front, Herr Kohl has been much heartened by Deng's strong backing for the idea of eventual German reunification.

As a sign of the desire of Bonn and Peking to strengthen their ties, Zhao Ziyang, the Chinese President, is expected to visit West Germany in summer or autumn next year.

# France, UK in naval arms talks

BY DAVID MARSH IN PARIS

FRANCE and Britain are discussing possible collaboration in producing sophisticated naval weapons for the 1990s, which could involve technical British help for France's planned new generation of nuclear submarines.

The two countries are also studying joint development of military communications and observations satellites which would have important potential uses in connection with the countries' nuclear strike forces.

Although the idea of extending co-operation in these fields is still highly tentative, the ground has been explored in a number of recent meetings between French and UK defence ministry officials in recent months.

Britain has suggested pooling of efforts for producing torpedoes, involving Marconi of the UK and Thomson of France, as well as a possible three-nation link, involving West Germany as well, in building ship-borne missiles.

The talks on satellites might precede full British participation in Franco-German studies on the military use of space. These were announced by President François Mitterrand and Herr Helmut Kohl, the West German Chancellor, in May.

There are formidable political and industrial obstacles to arms collaboration involving the two countries' nuclear deterrents, which since World War Two have been built up and operated completely separately.

None the less, the serious contacts so far underline the willingness in Paris and London to extend joint weapons procurement as part of moves to lower costs and boost European defence co-operation.

M Charles Hernu and Mr Michael Heseltine, the French and UK Defence Ministers, have given strong political backing to the five-nation project to build a European jet fighter for the 1990s, and have emerged in recent months as firm advocates of further collaboration.

The impetus behind the naval equipment discussions has come from French efforts to seek access to details of acoustic dampening in


Continued on Page 16

Submarines and satellites, Page 4




CONTENTS

# OVERSEAS NEWS

## Soviet Union deploys more cruise missiles

By Nancy Dunne in Washington

THE U.S. State Department yesterday said that it was not surprised by the Soviet Union's weekend cofirmation that it had deployed long-range cruise missiles on its strategic bombers and submarines.

U.S. officials would not elaborate, except to repeat the Reagan Administration's long-standing urgings for the Soviet Union to return urgently to the negotiating table to curb the nuclear arms race.

The Soviet Defence Ministry said at the weekend that its latest arms buildup was in response to the "massive deployment" by the U.S. of air, sea and land cruise missiles, including those in Britain and Italy. It reiterated recent accusations that the U.S. is trying to achieve military superiority and insisted that its own deployment was only in response to U.S. actions.

Following the U.S. deployment of the missiles in Western Europe, the Soviet Union placed "tactical" nuclear missiles in East Germany and Czechoslovakia. In late June, the U.S. announced installation of its first long-range cruise missiles on naval vessels.

BOOST TO OSTPOLITIK

## Romanian leader set for Bonn visit

BY RUPERT CORNWELL IN BONN

BONN's battered Ostopolitik receives a much welcome boost today witht he arrival on a state visit here of President Nicolae Ceausescu of Romania, long the most independent minded of the political leaders of Eastern Europe.

In the eyes of the West German Government, the very fact that it is taking place at all is more important than any concrete results.

The visit is all that Bonn has been able to salvage from what was once set to be a hectic autumn of meetings with East European heads of state, aimed at rebuilding links after the strains caused by Nato's missile deployment here in 1983.

Intense Soviet pressure forced both Herr Erich Honecker and Mr Todor Zhivkov, leaders of East Germany and Bulgaria respectively, to fall off trips. Moscow almost certainly leant hard on Mr Ceausescu to do the same: indeed nerves here were set on edge by an abrupt late reduction by Bucharest of the visit's duration, from four days to two.

The Rumanian leader yesterday set out the line he will be adopting in his talks with Chancellor Helmut Kohl and Herr Hans Dietrich Genscher, the Foreign Minister.

It was up to the U.S., he told the Die Welt newspaper, to make the first move in cutting the number of nuclear missiles in Europe. Then the Soviet Union should make a similar gesture of its own.

Mr Ceausescu insisted that neither the latest Nato deployment, nor the counter-deployment of SS 21s and 22s by Moscow in Czechoslovakia and East Germany were justified. But European countries directly affected had to negotiate themselves, without waiting for the two superpowers to act first.

During his stay, he will be pressed hard by his hosts to remove some of the obstacles in the way of Rumania's ethnic Germans—some 350,000 or 1.6 per cent of the total population—from emigrating to the West.

Another key theme will be how to boost trade between the two countries.

● Herr Erich Honecker, the East German leader flies to Finland tomorrow for a three-day visit, Reuter reoprts from Berlin.

## U.S. tries to defuse row with Belgium

BY PAUL CHEESERIGHT IN BRUSSELS

The Reagan Administration has checked the slide towards an outright dispute with Belgium by promising to push through a suspended payment for a machine tool bought by the Belgian Army but originally destined for the Soviet-Union

This removes one of two causes of irritation in relations between Brussels and Washington. But further friction is likely if, at the weekly cabinet meeting next Friday, the Belgian Government of Mr Wilfried Martens approves a nuclear deal with Libya.

Mr Casper Weinberger, the U.S. Defence Secretary, told Mr Freddy Vreven, the Belgian Defence Minister, during the course of a Nato planning meeting in Stresa at the end of last week, that the Reagan Administration would honour its commitment to pay the Belgian Government BFrs 42m.

This is to help the purchase by the Belgian Army of a numerically controlled combined milling and drilling machine made by Pegard of Andenne, a company whose major shareholder has been Voith of West Germany.

Earlier this year, the U.S. put pressure on Belgium not to honour a contract for the sale of the machine to the Soviet Union, arguing that the machine wouldb e of strategic benefit to Moscow.

The Belgian Government bowed to this pressure, but after the U.S., during August, offered financial help to compensate Pegard, the Martens cabinet approved the sale of five more machines of broadly similar nature to the Soviet Union. This led the U.S. to stop payment of the SwFr 42m cheque.

Recently, newspaper articles in Washington have linked the Pegard affair to the prospects that Belgenuleaire, a company in which the Belgian Government has a stake, might sign a BFr 60bn contract with the Libyan Government for construction of a nuclear power plant.

The articles, said to reflect Pentagon thinking, have inferred that Belgium's trading policies are inimical to the U.S. Belgium, it is implied, is not a reliable ally.

The Martens cabinet is expected to decide at the end of this week whether Belgonucleaire should go ahead or not.

## Ex-Moscow army chief in Berlin for talks

By Leslie Colitt in Berlin

THE FORMER Chief of Staff of the Soviet Armed Forces and Deputy Defence Minister, Marshall Nikolai Ogarkov, who was relieved of his post early last month, has suddenly appeared in East Berlin.

After more than a months' absence from public view, General Ogarkov had talks with President Erich Honecker, East Germany's leader. The East German news agency which referred to him as "Marshall of the Soviet Union" did not mention in what capacity he had come to East Germany. Neither the Soviet news agency, TASS, nor the Soviet army newspaper, Red Star, mentioned the general's visit.

Further signs of diverging views within the Soviet leadership over policy towards East Germany have also emerged. After Mr Mikhail Gorbacher, a prominent member of the Soviet politbureau had talks in Moscow with Herr Kurt Hager, East Germany's chief ideologist, the East German news agency said the talks were "cordial and fraternal."

This contrasted with the evaluation of talks hold last week in East Berlin between Her Honecker and Mr Andrei Gromyko, the Soviet Foreign Minister. In the statement after these talks the key word, fraternal, was missing.

## Reagan retains big polls lead despite debate performance

BY OUR WASHINGTON STAFF

PRESIDENT Ronald Reagan continued to hold a commanding lead in public opinion polls over the weekend despite his stumbling performance a last Sunday's debate with Mr Walter Mondale, the Democratic Party's presidential candiadte.

However, polsters agreed that questions now being raised about the President's age and competence have boosted the importance of next Sunday's foerign policy debate with Mr Mondale.

Mr Richard Wirthin, the Republican's polster, said (yesterday that although Mr Reagan's popularity slipped slightly in the polls immediately after the first debate, uncertain Democrats have "examined the Mondale message" and got back to supporting the President. He said the President now leads by 16 per centage points.

Mr James Johnson, chairman of the Mondale campaign, contended that the Democrats' icket is trailing by 12 or 13 points but picking up strength. Other polsters have reported more favourable ratings for Mr Mondale, and the New York Daily News found him trailing the President in New York by only four points, making a gain of 10 points in the week after the debate.

An NBC television network analyst announced yesterday that there has been little change in the polls so far and if the election were held today the President would carry at least 27 of the 50 states.

Meanwhile, the Democratic candidate and campaign officials have backed away from all suggestions that the President, at 73, is too old to serve another term. Ms Geraldine Ferraro, the Democratic vice-presidential nominee, appearing on a television news programme yesterday, twice ducked the question of the President's age. "You're not going to push me to answer that . . . the question of competency should be left to the American people," she said.

## Recession predicted for U.S. by end of 1986

A FORECAST prepared for leading U.S. business executives released yesterday raises doubts about whether the American economy can escape faltering into recession before the end of 1986, Reuter reports from Hot Springs, Virginia.

High deficits in the federal budget and foreign trade place the economy in jeopardy, according to a report presented to the Business Council, an influential U.S. group.

"Both will reach unprecedented heights next year," the forecast said. "They could well derail the business cycle upturn."

"Three of our economists are talking about a recession in 1985 and half the committee expects the next recession to begin before the end of 1986," said the forecast developed by a committee of 19 economists.

Business Council members, who are generally chairmen or top officials of prominent U.S. corporations, gather at a secluded mountain retreat here each spring and autumn to listen to the economic forecast and exchange views.

The budget will run a deficit of \$177.6bn (£145bn) in 1985, about \$10bn more than the White House expects, according to predictions developed for the council.

## El Salvador extreme right accuse Duarte of treason

BY DAVID GARDNER IN SAN SALVADOR

EL SALVADOR'S extreme right-wing death squads have threatened to act against President Jose Napoleon Duarte for opening peace talks with left-wing insurgents, due to begin today at Las Palmas, near the Honduras border.

The "Anti Communist Secret Army,"—an umbrella organisation for the most active death squads which have caused the majority of the 50,000 deaths in El Salvador's five-year civil war —has accused Sr Duarte of treason. It warns he is a legitimate military target.

The death squads' communique told the army that Sr Duarte's peace initiative "fulfils the treacherous plan of Communist interests." The extreme right-wing paramilitary organisations have close links with the army.

The threat to Sr Duarte has raised tension on the eve of the Government's meeting with the guerrillas. The meeting looked as though it might be aborted after Friday's and Saturday's army incursion into Las Palmas, which has been held by the guerrillas for the last 18 months.

However, the guerrillas made no attempt to resist the incursion. They withdrew until the army high command ordered the unit's commander, the hardliner Col Sigifredo Ochoa, to pull out.

Col Ochoa has just been restored to a command post at the head of the fourth infantry brigade, quartered at El Paraiso, close to Las Palmas, after 18 months as military attache in Washington. His diplomatic exile followed his leadership of a mutiny in January, 1983.

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# OVERSEAS NEWS

## Talks on south Lebanon withdrawal show progress

BY TONY WALKER IN CAIRO

SIGNIFICANT progress has been made in the past few days through U.S.-backed moves to end the Israeli occupation of south Lebanon, the senior foreign policy adviser of Egyptian President Hosni Mubarak said yesterday.

Withdrawal could start within six months, Dr Osama el Baz said after Mr Mubarak and Mr Caspar Weinberger, the U.S. Defence Secretary, had discussed the subject.

Dr el Baz said remaining difficulties were "surmountable" but he declined to go into detail about progress in the disengagement talks which have been conducted partly at the United Nations in New York.

"It is generally understood that if a certain acceptable agreement is reached, Israeli forces will be withdrawn within six months, more or less," he said.

Dr el Baz's remarks indicated that negotiations on an Israeli disengagement from south Lebanon are further advanced than had been imagined.

Mr Weinberger is due to travel from Egypt to Israel today for talks with Israeli leaders including Mr Yitzhak Rabin, the new Defence Minister. His visit coincides with the return to Israel of Mr Shimon Peres, the Israeli Prime Minister, who has just completed a week-long trip to the U.S.

Dr el Baz said Egypt hoped Israel and Lebanon would reach agreement on new peace-keeping arrangements in south Lebanon "in a short period of time."

He made it clear that the position of South Lebanon Army of General Antoine Lahd was a sticking point in the way of a settlement. The Israeli backed Lahd militia is a force of about 2,000 mainly Phalangist irregulars which is given little chance of asserting its authority once Israel withdraws.

The Israelis have been insisting that the Lahd forces be given a place in any new peace-keeping arrangements.

Dr el Baz said: "Naturally we're very concerned and we're interested in helping an early Israeli withdrawal from Lebanon because we believe that the Israeli occupation is not serving any useful purpose whether to Lebanon itself, Israel or to other countries in the Middle East."

"There seems to be a certain willingness on the part of the Israeli Government to discuss the matter seriously.

## Japanese blackmail victim cuts output

By Robert Cottrell in Tokyo

MORINAGA the Japanese confectioner whose sweets are being poisoned by blackmailers, says it is halving its production volume and laying off 450 part-time staff.

Many shops and supermarkets cleared their shelves of Morinaga products last week when a gang calling itself the "man with 21 faces" said it would be "spiking" the company's sweets with sodium cyanide. Police have so far found 13 lethally-poisoned products, to each of which the blackmailers had attached a warning note. The gang has since warned that it will start planting sweets without warning notes. The gang last month demanded Y100m (£330,000) from Morinaga.

More than 8,000 police have been mobilised to patrol shops in the western Japanese cities of Osaka, Hyogo and Kyoto, where the adulterated sweets have so far been found. In a bid to identify the blackmailers, the public has been invited to dial designated telephone numbers throughout Japan to hear recordings of blackmailing phone calls made to Morinaga and to another confectioner, Ezaki Glico, by a woman and a child. The same gang blackmailed Glico between March and June, until, for no acknowledged reason, the campaign ceased.

Police are studying videotape pictures, recorded in an in-house security camera, of customers passing through a small supermarket in the town of Nishinomiya on the day a poisoned chocolate was planted there. They are also testing fingerprints on 12,000 toll tickets collected along an expressway likely to have been used by the gang on its sweet-planting mission.

## Manila lifts foreign exchange curbs

BY EMILIA TAGAZA IN MANILA

THE PHILIPPINES today returns to a floating rate system for the peso following acceptance by the International Monetary Fund (IMF) of the Government's letter of intent for a $615m standby credit. The removal of foreign exchange restrictions was an IMF condition.

The letter of intent now goes to the IMF board for final approval, which still depends on the bulk of a new loan from commercial bank creditors, expected to be in the order of $1.65bn, being subscribed.

Negotiations on this were continuing over the weekend in New York. Though agreement on the terms of the new credit and rescheduling package is believed to be quite close, syndication of the new loan is likely to be a lengthy process.

This means that it could be several weeks or even months before the IMF board is able to approve the package.

From today, commercial banks will not have to surrender any of their foreign exchange earnings to the central bank.

Until last week, banks were required to sell 80 per cent of their foreign exchange earnings to the central bank, which then allocated the pooled dollars to Government - defined priority foreign payments, such as on oil and food imports and interest payments.

The central bank's control on the bulk of the country's foreign exchange enabled the Government to keep the peso on a "dirty" float, with authorities exerting indirect pressure to peg the peso at the official rate of 18 pesos to the dollar.

Early this month, the state-owned Philippine National Bank (PNB) initiated interbank dollar trading—inactive since the Government declared a moratorium on foreign payments in last October—but trading did not flourish because most foreign exchange was sold to the central bank.

In a nationwide broadcast on Saturday, President Ferdinand Marcos said the U.S., Japan and South Korea had agreed to extend bridging loans of $800m while the Philippines waits for new money from the IMF and commercial banks, and for normal trade financing.

Mr Marcos said that the IMF's acceptance of the government's economic recovery programme meant negotiations now be finalised with 480 commercial creditors for the rescheduling of some of the country's $25bn foreign debt and for some new money.

## Chile's creditors urge more aid

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

CHILE'S leading commercial bank creditors have begun quietly urging Western governments to provide financial aid to the government of President Augusto Pinochet to help meet a large external financing gap now expected for 1985.

Preliminary estimates suggest that Chile will need some $1.2bn to $1.4bn in new loans next year even after commercial bank debt is rescheduled. Bankers in New York say that governments will have to help bridge this gap because a loan of this size would not be forthcoming from commercial bank creditors.

Chile thus seems likely to provide an early test of Western government willingness to go on providing export credit cover even after official debt has been rescheduled. Fears that such credit would be cut off have been one factor behind the reluctance of many Latin American countries to seek a Paris Club rescheduling since the debt crisis started two years ago.

But at last month's International Monetary Fund meeting Mr Nigel Lawson, the UK Chancellor, hinted that the unofficial Paris Club of Western government creditors would change its rules in this respect.

"We should shortly be ready in appropriate cases to maaintain cover or resume it at an earlier stage to support credit for goods which would add to the economic recovery of the debtor country," he said.

So far there is still no sign of a genuine consensus on this point byt with Chile and a number of other bi gdebtors such as Argentina and Yugoslavia now seeking government aid banks are watching carefully for a firm indication that fresh government loans are likely to be available.

Chile has so far held only very tentative talks with its bank creditors on next year's financing needs but with the year-end looming serious talks must start before long, probably before the end of November.

In general bankers are very sympathetic to Chile's plight, whic they say has been caused largely by the fact the interest rates have been higher and the copper price lower than it projected when drawing up economic targets for 1984.

Interest rates which have risen this year were expected to be stable, while the copper price was expected to average 75 cents to pound where it is actually below 60 cents.

But the bankers are worried that for Chile to seek a commercial bank loan substantially more than this year's $780m would give the impression that its debt problem is again sliding out of control.

In 1983 Chile raised $1.3bn in loans from its commercial bank creditors. Senior bankers have been looking for a steady fall in the amount of new money sought by countries in Latin America as a means of underlining progress achieved in resolving the region's foreign debt problem.

## British MP meets Durban fugitives

By Anthony Robinson in Durban

MR DONALD ANDERSON, Labour Party spokesman on Southern Africa, arrived in Durban last night and met the three anti-apartheid activists still in the British Consulate.

South Africa has condemned the visit as "blatantly political," but Mr Anderson denies wanting to embarrass the British and South African governmens. "Do I look like *Jesse Jackson*" *he quipped, in* a reference to the black former U.S. presidential candidate who secured the release of a U.S. airman shot down over Syria during his recent election campaign

He said he was on a fact-finding mission but both the British Embassy and the South African authorities fear that the visit could be used by the three men in a way which would further embitter Anglo-South Anglian relations.

## Terrorists bomb Maltese state computer centre

By Godfrey Grima in Malta

Malta's main Government computer centre was bombed out of commission over the weekend as violence and industrial unrest on the island heightened.

Malta has been in turmoil since August as a result of Premier Dom Mintoff's controversial education reforms, which force Roman Catholic church schools to dismantle their fees system and are firmly opposed by thousands of parents. The Government said Saturday's bombing was a "terrorist attack, aimed at plunging the Administration into chaos."

The centre, at Dingli, processes data, including wages and social security benefits.

## Iceland offers tax reduction to public sector workers

BY KEVIN DONE IN REYKJAVIK

THE ICELANDIC Government has started tripartite talks with leaders of the island's trades unions and employers with a promise to trade income tax cuts for low wage rises in a bid to break the public sector strike which is entering its third week.

More than 11,000 public sector employees are on strike. Schools are closed, the radio and television stations are shut down, there are no buses or postal services and work in the island's main ports has been halted by the strike of customs officials and harbour pilots.

With the supply of raw materials drying up, the first lay-offs are expected in manufacturing industry this week.

The strikers are seeking pay rises of up to 30 per cent to compensate for what they claim is a 25 per cent drop in their standard of living over the last two years.

The Government has offered 3 per cent from September 1 and a further 3 per cent in January, though it is considering substantial cuts in income tax.

It is pinning its hopes on a moderate settlement being reached in the private sector, which is still negotiating without strike action. This would force the public sector strikers to moderate their claims.

In a separate dispute, the printers have been on strike for five weeks stopping all newspapers.



# WORLD TRADE NEWS

## Pakistan in talks over UK frigates

PAKISTAN is negotiating a £300m contract with Vospers Thornycroft, the British shipbuilder to buy three frigates as part of its naval modernisation programme, Reuter reports from Islamabad.

Pakistan is reported to have already signed a letter of intent for the type 21 frigates, two of which would be built in Southampton, and the third with the in Karachi. Grindlays Bank officials confirmed they were arranging a loan for the deal, which is likely to be completed by the end of this year.

The new 3,000-tonne frigates would help to modernise Pakistan's ageing fleet, and would be designed to defend the port of Karachi and the Makran coast, as well as oil shipping lanes from the Gulf.

### Yugoslavia presses Peru for payment

ENERGOPROJEKT Engineering and contracting company of Belgrade is pressing the Peruvian Government for payment of $65m in overdue payments on its construction and financing contract for the $372m Chira-Piura irrigation project, Dorean Gillespie writes from Lima.

The Peruvian Government plans to include the debt in a projected refinancing barter deal with other East European countries, the $65m includes outstanding amortisation and interest payments dating back to May, 1983, when the Government stopped repayments on most loans. Peru is offering payment with textiles and canned fish, but Yugoslavia would be interested only in traditional exports mainly minerals or fishmeal.

# Submarines and satellites head Franco-British list

FRANCE'S bid to gain access to British technology to help produce a new series of silent nuclear submarines is a move which goes to the very depths of the country's independently-operated strategic nuclear deterrent.

France failed during the 1950s to gain nuclear know-how and materials from the U.S. and Britain to help build the nuclear ballistic missile-carrying submarines (SNLEs) which are now the most essential part of the *force de frappe*.

Since then, France's nuclear submarine-building effort has been an almost entirely go-it-alone venture. It now has five Redoubtable-class SNLEs in its operating fleet (compared with Britain's four Resolution-class Polaris submarines), with a new one, the *Inflexible*, planned to be launched next April. Its nuclear attack ("hunter killer") submarine force, by contrast, numbers only two, compared with Britain's 13.

The string of navy- and nucelar-related defence collaboration possibilities for the 1990s under discussion in Paris and London would clearly need considerable political will to steer through to agreement.

The areas under consideration are:

● **Nuclear submarines.** The French government is laying maximum stress on improving the silence characteristics of the new generation of SNLEs planned for the mid-1990s, building of which was confirmed in November, 1981.

Presenting the 1985 defence budget last week, M Charles Hernu, the Defence Minister, announced that budgetary authorisations for work on the first of the new SNLEs would total FFr 1.5bn (£128m) next year, ahead of a firm order in 1987.

France is believed to be particularly interested in the pump-jet technology developed for British nuclear submarine propulsion. Although the engineering is complex, in its simplest form this involves placing of ducting around the propeller to improve thrust and dampen water perturbations which could be picked up by enemy tracking devices.

Britain is also building a new fleet of submarines to carry the Trident D5 missiles ordered from the U.S., with the first boat planned to enter service around 1994.

Although the boats and the nuclear reactors will be built in Britain, the nuclear know-how in the submarines was acquired from the U.S. under a 1958 agreement. This contains a key provision requiring American approval for transfer of information to other countries.

**David Marsh in Paris explains the areas where defence collaboration might be mutually useful**

Some of the nuclear-propulsion details to which France would like to gain access are thought to be covered by the accord, but the pump-jet technology is held to be a British invention, not covered by the restrictions.

● **Satellites.** When the French and West German governments in May announced the start of studies into a joint France German military observation satellite for the 1990s, French officials were at pains to point out that they hoped Britain too could become involved in the project.

A series of Franco-British meetings over the last few months has now laid down guidelines for possibly extending the project into a three nation link-up involving communications satellites too.

France this summer launched its first commercial telecommunications satellite, Telecom-1, which has two transponders dedicated to military communications with French ships and land forces around the world. The Government has been exploring the possibility of setting up a submarine communications service when the next generation of Telecom satellites is launched, probably from around 1990 onwards.

This would supplement the very low frequency radio links which France and Britain have traditionally used for communicating with their submarine fleets.

The tentative idea under discussion would be to pool resources for this new generation of satellites, giving Britain a stake in a series of European craft to follow on from the Ministry of Defence Skynet satellites to be launched by the U.S. space shuttle in 1985 and 1986.

This would be a separate but related venture to the idea of constructing a joint observation satellite. France for several years has been carrying out design work on the Samro observation satellite conceived partly as an aid to targeting of its strategic ballistic missiles.

The need for accurate French targeting will become more acute when re-equipment of SNLEs with multiple-headed M4 missiles is completed over the next few years. This will increase the number of targets available for the submarine-borne missiles more than six-fold from the present number (for five boats) of 80.

British involvement in any Franco-German project would, needless to say, have extreme political importance. It could imply generally closer Franco-British nuclear links and a corresponding reduction in British dependence, for communications and identifying targets, on U.S. spacecraft.

● As a condition for releasing nuclear submarine technology details, Britain has proposed opening up collaboration in other areas, including torpedoes.

Marconi in Britain would welcome collaboration with Thomson (which has developed the guidance systems in French torpedoes) and the French Defence Ministry's naval construction division (which is responsible for propulsion and the explosive charge). However, both companies are already preparing new heavy-weight torpedoes for the 1990s and significant collaboration would present great industrial difficulties.

By contrast, there could be further opportunity for pooling resources in sonar equipment where Thomson is held to have a clear lead and already has equipment mounted on British submarines.

As for guided missiles, the British idea would be for British Aerospace to join the Franco-German grouping between Aerospatiale and Messerschmitt which is developing a supersonic anti-ship missile (ANS) for the 1990s.

# Microchip indicator shows sharp fall

By Louise Kehoe in San Francisco

THE KEY indicator of the health of the $26bn world semiconductor industry has plunged to its lowest level in four years, according to the Semiconductor Industry Association, a California-based trade group.

The SIA said that its "book-to bill" ratio, which compares orders to shipments, dropped from 1.0 August to 0.84 in September. The ratio hit an all-time high of 1.56 in December, 1983, and has not fallen below 1.0 since December 1982. The ratio was last below 0.8 in 1980.

A drop in the ratio had been anticipated in September, but industry analysts expected a figure of close to 095 rather than the dramatic drop to 0.84. The steep decline is attributed to reduced shipments, by U.S. and Japanese semiconductor manufacturers, who have spent billions of dollars expanding their production capacity over the past two years. Just as much of that capacity is coming on stream, demand for semiconductors is declining.

September shipments of semiconductors by U.S., Japanese and European manufacturers reached an all-time high of $1.17bn, 11.9 per cent higher than in August. But orders fell by 10.9 per cent. Much of the decline is attributed to personal computer makers who have been delaying orders. Several personal computer companies are also believed to be selling off stock of unused semiconductor parts. The personal computer sector of the U.S. semiconductor market represents approximately 15 per cent of sales.

**BOOK TO BILL RATIOS 1984**

| | |
|---|---|
| January | 1.53 |
| February | 1.48 |
| March | 1.35 |
| April | 1.32 |
| May | 1.27 |
| June | 1.15 |
| July | 1.06 |
| August | 1.00 |
| September | 0.84 |

The full impact of declining orders is not expected to be felt until mid 1985, when the capacity of the industry will be even higher than it is today and the reduced orders taken last month will be ready for shipment.

Last month the SIA forecast moderating industry growth during 1985, with sales next year growing by 22 per cent, down from 48 per cent growth in 1984. Much of the growth in 1985 had however been expected to occur in the first half of the year and if current order trends continue, analysts warn that the market could move into a mild recession towards the end of next year.

Semiconductor prices, which have been relatively steady forthe last 18 months, are now expected to resume their traditional decline of around 30 per cent per year as supply outstrips demand.

# Athens sewage contract awarded

BY ANDRIANA IERODIACONOU IN ATHENS

*THE rst contract in the $10bn* sewage project for the greater Athens area has been won by a consortium involving Athena, a subsidiary of Archirodon, the Greek construction group, and the U.S. company Raymond, the Greek Government has announced.

The contract to build an underwater conduit pipe was won by Costain of Britain and *Cibi-Montubi of Italy*, among others. Work is expected to take 18 months, and will cost $2bn.

*The project is scheduled to be* completed by the end of 1987 and is expected to make a dramatic difference to the beaches in and around the Greek capital, which have been afflicted by rising pollution levels. At the moment, all sewage and most industrial waste is being dumped directly into the sea west of the city.

The underwater pipeline involved in the present contract will convey waste from the coastal terminus to a treatment plant to be built on the small island of Psytteia.

Tenders for the plant, the second part of the project, are currently being submitted by 15 preselected companies from seven countries — Britain, France, West Germany, Italy, Cyprus, East Germany and Poland.

The third part of the project involces a 5.2 km supplementary on-land tunnel taking waste to the coastal terminus. The tunnel will cost an estimated $2bn, and tenders will be invited in January.

## BSC chief warns on U.S. protectionism

By Ian Rodger

U.S. AUTHORITIES seem to be showing less resistance to protectionist forces than Britain did when its manufacturing industries were threatened by a strong pound, according to Mr Bob Haslam, chairman of the British Steel Corporation.

The danger was that basic industries, such as steel, would take advantage of the protectionist climate to avoid making their operations internationally competitive, Mr Haslam said in a speech to the British-American Chamber of Commerce in New York. That could mean that U.S. steel-using industries were put at a disadvatage, leading to an acceleration of the import of manufactured goods.

Mr Haslam, who attended an international steel conference in Chicago last week, recalled that the British pound has strengthened by 50 per cent in real terms between 1978 and 1980, causing "enormous problems" for manufacturing industry. "However, protectionist pressure were generally resisted by the UK Government and, as a result, British manufacturing is now considerably more efficient but also considerably smaller than it was in 1978."

The dollar, by contrast, has risen only 30 ner cent in real terms since 1980, he said.

## Jaguar chooses French importer

JAGUAR, THE luxury car group, has appointed the Chapat company, which imports Honda motorcycles to France, as its importer-distributor in Paris, Kenneth Gooding writes.

Jaguar, recently sold back to the private sector by BL, has been separating its import and distribution arrangements throughout Europe from those of Austin Rover, BL's volume car subsidiary.

SHIPPING

# Gulf attacks fail to deter ships from loading Iran oil

BY ANDREW FISHER, SHIPPING CORRESPONDENT

DESPITE renewed attackes on shipping in the Gulf, last week saw evidence that some shipowners are still willing to risk loading oil at Iran's Kharg Island terminal.

The rate VLCC (very large crude carrier) cargoes from Kharg tothe East appears to have risen by some 10 points to Worldscale 45, reported E. A. Gibson Shipbrokers of London. The chartering fixtures were mostly private, with terms undisclosed. For movements to the Red Sea, the rate stands at around Worldscale 42.

There was little other business around in the Gulf, especially for large ships. One fixture of a 230,000 ton cargo from Ras Tanura in Saudi Arabia to Taiwan at Worldscale 23 showed, however, the high premiums obtainable from Kharg.

Elsewhere, West Africa and the Mediterranean were active, in contrast to the low level of loadings from Indonesia. More inquiry was also seen for liftings of North Sea crude oil for the U.S. and Europe.

The dry cargo market livened up last week, partly due to continued Soviet interest in chartering ships for grain imports. As usual, the actual contracts and terms were kept under wraps. But Galbraith's, the London brokers, reckoned that up to 50 mostly handy size (25,000-40,000 deadweight tons) vessels had been taken in the past few weeks.

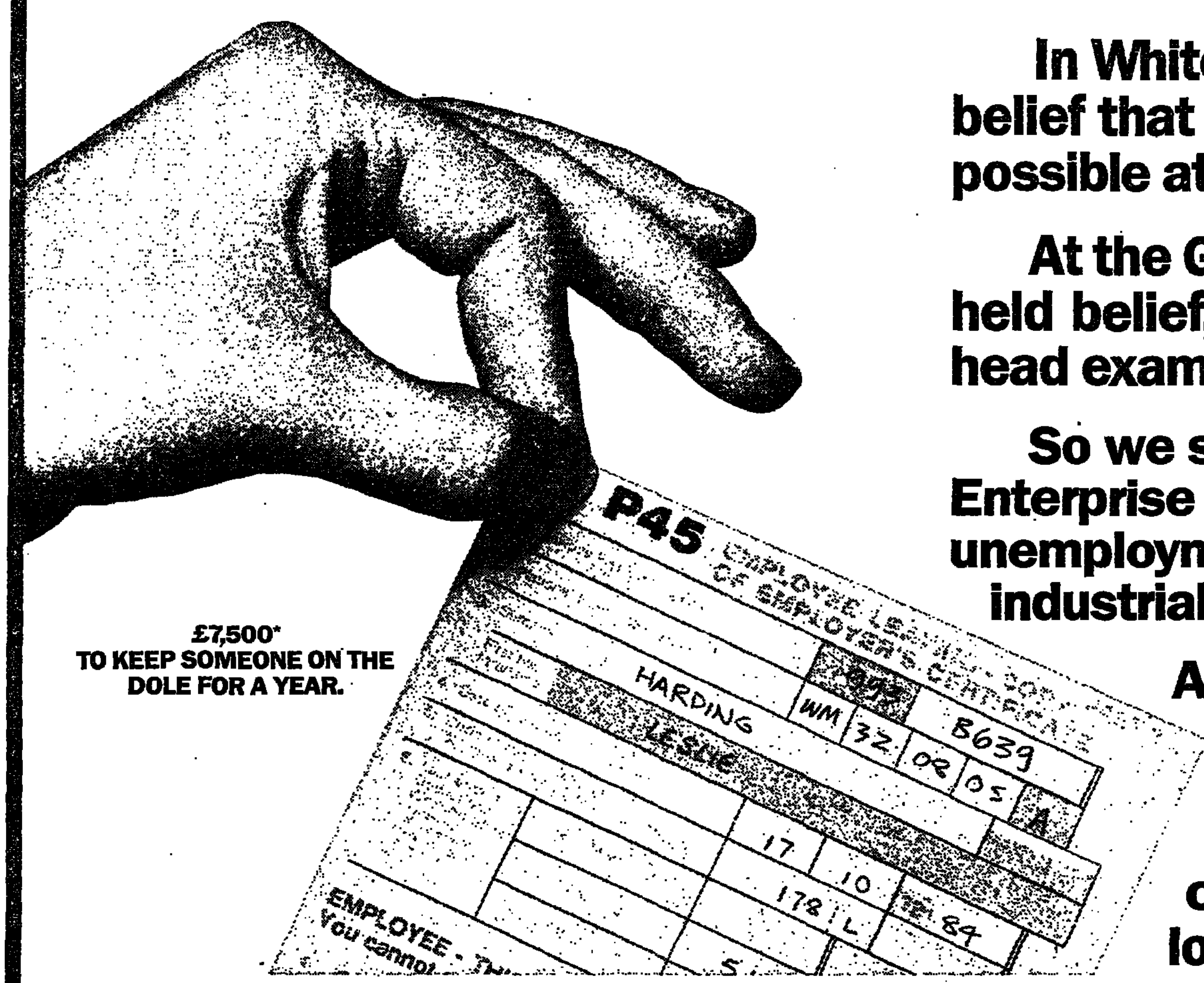
There was a slight movement in rates for larger Panamax ships — able to negotiate the Panama Canal—from the U.S. Gulf to Japan, with a 75 cent rise to $14.25 a ton for grain cargoes. Rates from the U.S. to continental Europe were steady at $8 a ton.

# World Economic Indicators

**UNEMPLOYMENT**

| | | | | | |
|---|---|---|---|---|---|
| | | Sept. '84 | Aug. '84 | July '84 | Sept. '83 |
| UK | 000s | 3,284.0 | 3,116.0 | 3,101.0 | 3,167.0 |
| | % | 13.6 | 12.9 | 12.9 | 13.2 |
| U.S. | 000s | 8,460.0 | 8,526.0 | 8,543.0 | 10,353.0 |
| | % | 7.4 | 7.5 | 7.5 | 9.2 |
| | | Aug. '84 | July '84 | June '84 | Aug. '83 |
| W. Germany | 000s | 2,201.8 | 2,202.2 | 2,112.6 | 2,196.2 |
| | % | 8.2 | 8.2 | 7.8 | 8.2 |
| France | 000s | 2,241.4 | 2,184.4 | 2,147.7 | 1,934.0 |
| | % | 9.8 | 9.6 | 9.4 | 8.5 |
| Italy | 000s | 2,863.6 | 2,859.1 | 2,914.5 | 2,604.5 |
| | % | 12.7 | 12.6 | 12.9 | 11.5 |
| Belgium | 000s | 636.1 | 606.6 | 545.7 | 627.9 |
| | % | 15.6 | 14.8 | 13.4 | 15.4 |
| Netherlands | 000s | 839.6 | 818.4 | 815.9 | 827.5 |
| | % | 15.0 | 14.6 | 14.6 | 14.8 |
| Japan | 000s | 1,580.0 | 1,570.0 | 1,630.0 | 1,580.0 |
| | % | 2.8 | 2.8 | 2.8 | 2.8 |

*Source (except U.S., UK, Japan): Eurostat*

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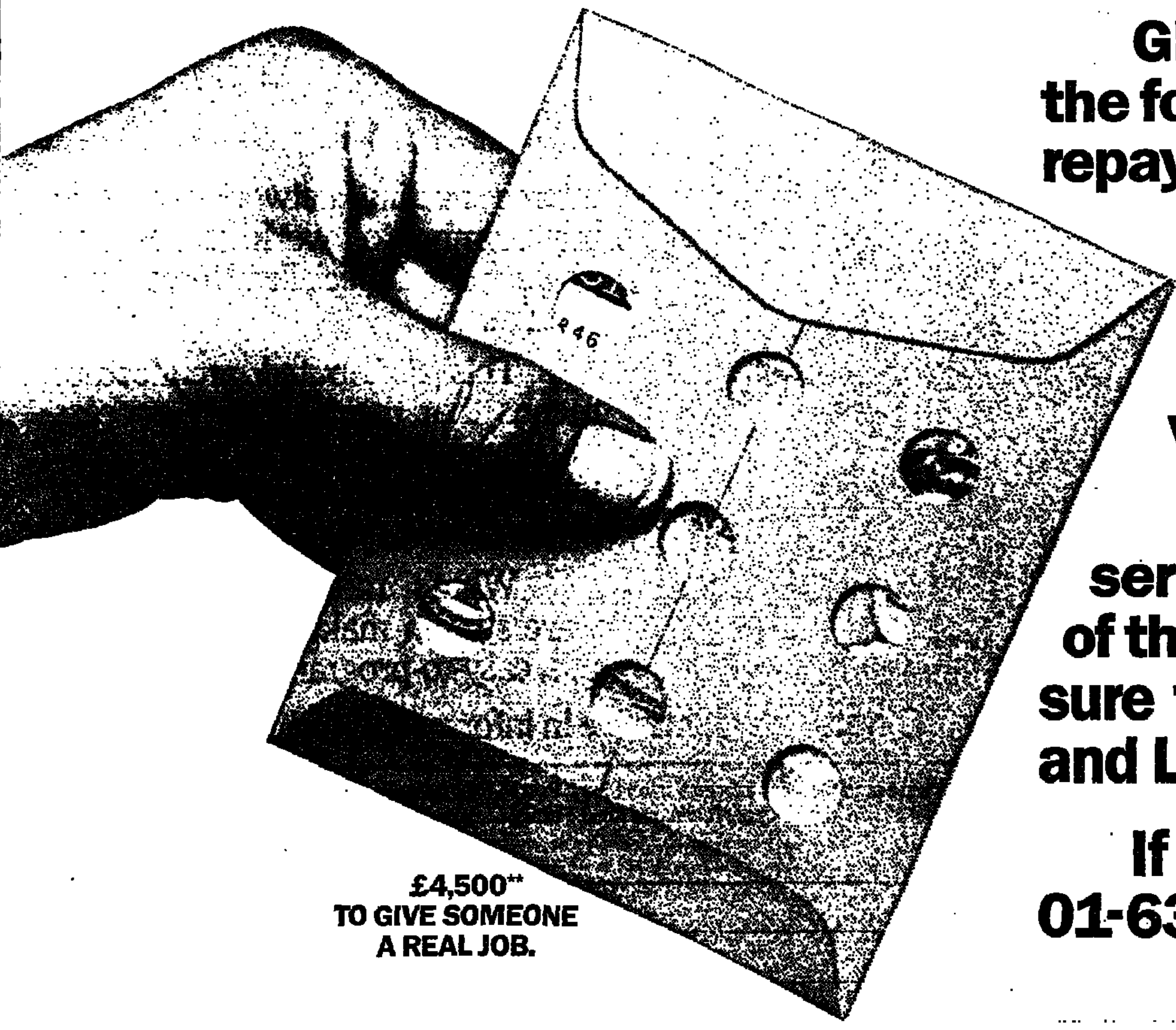
# BELIEVE IT OR NOT, IT COSTS WHITEHALL MORE TO KEEP LONDONERS ON THE DOLE THAN IT COSTS THE GLC TO PUT THEM TO WORK.



£4,500**
TO GIVE SOMEONE A REAL JOB.

GLEB's investments are either in the form of shares in the company, or repayable loans. Dole payments just go on year in, year out.

You don't need a degree in economics to work out which way makes more sense.

Imaginative schemes to preserve and create jobs are just part of the work the GLC's doing, to make sure there's a real future for London and Londoners.

If you'd like to know more, call us. 01-633 4400.

**GLC WORKING FOR LONDON.**

*Cost to tax payer p.a. of couple with two children on average earnings. **GLEB's average direct investment cost per job created or preserved.

GLC COUNTY HALL, LONDON SE1

# CONSTRUCTION CONTRACTS

## £25m work for Cementation

In a series of contracts spread throughout the UK, companies within Cementation civil and specialist engineering division have been awarded work worth over £25m.

Heading the list are the £13.5m contract for the A55 Holywell by-pass in North Wales and the £5.3m M4-widening scheme to create four lanes on each carriageway between the M4/M25 interchange and the Heathrow Spur.

Both are joint ventures between Cementation Construction and Costain and the M4 scheme will be run from the same joint site office as the Poyle-M4 section of the M25—a project worth over £46m—which has been under way since April of last year.

Cementation Construction also starts work this month on stage two of the Middlesbrough by-pass for C leveland County, a contract worth £3.7m and which includes construction of a 230 metre arch viaduct.

Other recent awards to Cementation Construction include £900,000 foundations for BSC's new furnace and crane-gantry extension at the Lackenby Beam Mill, Redcar; and over £1m for concrete paving at RNAS Yeovilton.

In Scotland, the division's other civil engineering arm, RDL Contracting, is to build an assembly building for National Semiconductor at Greenock — a job worth just short of £330,000.

In the specialist engineering field, Cementation Piling and Foundations has been awarded over 80 contracts worth a total of just under £2.5m. The largest for £400,000, covers piling, ground anchors and grouting to form foundations for the extension to the Millburngate shopping centre, Durham.

Over 420 piles will be needed to both form a retaining wall for excavations and as foundations. Tying-back the retaining wall will be achieved with 40 ground anchors up to 21 metres long.

Grouting on this site will require over 13,000 tonnes of specially-formulated grout mix to stabilise old mine workings in a shallow seam which underlies the Centre.

Cementation is a Trafalgar House Group company.

## £15m county hall in Cardiff

By Bridget Bloom, Defence Correspondent

The County of South Glamorgan has appointed NORWEST HOLST MANAGEMENT CONTRACTING to organise and supervise the construction of a new county hall at Bute East Dock, Cardiff, to include a council chamber, civic suite and offices. The building will be of three and four storeys, on piled foundations, with a reinforced concrete frame clad in brick. The pitched roof will be covered in Welsh slate. There is a pre-construction period of 12 months, followed by a 27-month construction time. The project is to be completed by the end of 1987 for occupation March 1988. The cost is expected to be in the region of £15m.

★

Work will start soon on the first phase of the new Letchworth Garden City business park. The project, worth about £1m, was won by JOHN WILLMOTT CONSTRUCTION, to build two 1,500 sq metre enterprise units and a two-storey administration block. The units will be divided and provide space for 28 companies. The project will be finished by March, 1985.

★

Contracts together worth £4.1m have been won by the Bradford-based steel buildings division of HENRY BARRETT AND SONS. The largest is for the supply of structural steelwork, cladding and and doors to the Marshall Construction Group, Elland, which is erecting two 200,000 sq ft portal frame buildings at aUpton, near Wakefield—a Northern warehouse for Superdrug and regional distribution centre for Argyll Stores.

★

WILTSHIER INTERIORS, Canterbury, has won a £9m contract for fitting out and interior decoration in South East Asia. The work is for a private client, covering fibrous plaster ceilings and mouldings, timber panelling, purpose-made joinery, doors and frames, staircases, chandeliers, wall, floor and ceiling finishes and decoration including gold leaf. Work starts soon and is expected to last 40 weeks.

## ISIS wins £17m orders in the South

ISIS CONSTRUCTION, part of the ISIS Group, has been awarded 23 new contracts in the South of England worth over £17m in total. Principal among these are: a three-year term maintenance contract at North Yard, Devonport, Plymouth for the Department of the Environment/Property Services Agency, worth £3m; a £2.2m contract with the Sun Alliance Group f or a multi-purpose building, Cherry Orchard North, at Kembrey Business Park, Swindon; a contract with Cribbs Causeway Developments, worth over £3m for afood distribution centre for Argyll Foods at Cribbs Causeway, Bristol; and two non-food stores at Tilehurst for Berkland Development Company, worth over £1m.

## Nuttall to build M25 final section

The final contract, worth £15.2m, on the M25 London Orbital Road, a section between the A405 at Bricket Wood and the A6 at London Colney, has been awarded to EDMUND NUTTALL. Work will start shortly and should be completed in autumn 1986. It will consist of about 6.7 km of dual three-lane motorway, 0.7 km of two-lane slip roads and 2.6 km of side road diversions. The carriageways will be of rigid construction.

Earthworks will consist of about 1.4m cu metres of excavation (of which 500,000 cu metres is domestic refuse to be placed in the adjoining landscape areas) and approximately 700,000 cu metres of fill. Structures include installation of motorway traffic signs, lighting and communications.

## £10m steelwork at Vauxhall Motors

Won by DORMAN LONG BRIDGE & ENGINEERING on behalf of its parent, Cleveland Redpath Engineering, a Trafalgar House Group company, is a steelwork fabrication and erection contract, valued at over £10m. It is for an elevated major extension to Vauxhall Motors' paint shop at the Luton factory, and is controlled by managing contractors, Taylor Woodrow Contracting. Some 10,500 tonnes of steelwork is to be detailed in Cleveland Redpath Engineering's Darlington design office and fabricated, principally at Darlington, Glasgow and Manchester works. Richard Lees, a sister company, is undertaking the supply of 56,000 sq metres of Super Holorib steel decking including fixing over 70.000 shear stud connectors. Site erection of steelwork has started for completion in mid-April 1985. The new double-storey facility will cover 23,000 sq metres in a series of bays with roof heights varying between 18.7 metres to 33.3 metres to the eaves. A requirement of the contract is that passage through the construction must be maintained at all times for the movement of new vehicles, and there is no site storage space available for Dorman Long.

FAIRCLOUGH BUILDING has been awarded a construction contract worth more than £1m for an industrial development in Witham, consisting of five factory units at Motts Lane/Newland Street for Co-ordinated Land and Estates. The single-storey units, which will be subdivided into 37 "starter" units, will be steel-framed structures with brick and metal cladding and reinforced-contrete slab. Fairclough is to construct a 500-space car park at Vauxhall's Ellesmere Port Works in six weeks. The contract — which includes car park lighting and access roads — is worth over £250,000.

★

TAYLOR WOODROW CONSTRUCTION has been awarded a £369.000 contract by Invertron Simulated Systems for design and construction of a factory and offices at Burgess Hill, West Sussex. Work commences at the end of October with completion expected in May 1985. The new building will be 825 sq metres overall, including a production area and a two-storey office of 180 sq metres, together with external car parking and landscaping. The steel portal frame structure will also have sheet roofing, and brick walls.

# Contracts & Tenders

## REPUBLIQUE ALGERIENNE DEMOCRATIQUE ET POPULAIRE

*(Algerian Popular Democratic Republic)*

**MINISTERE DE L'ENERGIE ET DES INDUSTRIES CHIMIQUES ET PETROCHIMIQUES**
*(Ministry for Energy and Chemical and Petrochemical Industries)*

**ENTREPRISE NATIONALE DES TRAVAUX AUX PUITS**
*(National Oil Exploitation Company)*

**NOTICE OF INTERNATIONAL CALL FOR TENDERS NUMBER 634.1K/MEC**

The National Oil Exploitation Company is launching an International Call for Tenders for the supply of the following:

Lot No 1: SPARE PARTS—E.M.D.
Lot No 2: SPARE PARTS—CATERPILLAR

This call for tenders is intended for Manufacturing Companies only and excludes amalgamtions, representatives of companies and any other intermediaries etc, in conformity with the provisions of the Law No 78-02 of 11 February 1978, with respect to State Monopoly on Foreign Tarde.

Tenderers interested in this Call for Tenders may obtain the specifications from the following address:

Entreprise Nationale des Travaux aux Puits (E.N.T.P.)
Direction Approvisionnements
Base les Vergers
BIRKHADEM
ALGER (ALGIERS)
ALGERIE (ALGERIA)

with effect from the date on which this notice is published.

Offers, of which five (05) copies should be prepared, must be sent in a double sealed envelope, by registered mail, to the Secrétariat de la Direction Approvisionnements, B.P. No 217, HASSI-MESSAOUD, Wilaya de OUARGLA, ALGERIE.

The outer envelope should not bear any mark that might identify the tenderer and should state simply:

"Appel d'Offres International No 634.1K/MEC — confidentiel à ne pas ouvrir" (International Call for Tenders No 634.1K/MEC Confidential — Do Not Open).

Tenders must be received by Saturday 24 November 1984 at the latest.

Selection will be made within 180 days from the closing date of this Call for Tenders.

## TRINIDAD AND TOBAGO

**SALE OF GEOPHYSICAL DATA**

Data of the Marine Seismic Survey offshore the north and east coasts of Trinidad and Tobago carried out in 1980/1981 will be available for sale from the 15th October 1984, at the Ministery of Energy and Natural Resources, P.O. Box 96, Port of Spain, Trinidad, West Indies. Telephone 62-38841-6 Telex 22715 MENR WG.

The survey covers approximately 13,000 km of seismic lines, and extends over approximately 24,600 sq. km. The data were migrated and interpreted after undergoing basic processing. Two time horizons are mapped.

Magnetic and gravity surveys as well as water depth maps of the surveyed areas are also included in the package. The acquisition of the data, processing and interpretation was done by Western Geophysical Company. Approximately 75% of the record length is down to 6 sec below sea bed. Purchase price is U.S.$500,000.

Purchasers of the data will be eligible to bid for offshore exploration and production licences to be offered in the surveyed areas. The bids for offshore exploration and production licence will be accepted up to 23rd March 1985.

Technical personnel of the Ministry of Energy and Natural Resources are available for discussions with company representatives.

## REPUBLIQUE ALGERIENNE DEMOCRATIQUE ET POPULAIRE

*(Algerian Popular Democratic Republic)*

**MINISTERE DE L'ENERGIE ET DES INDUSTRIES CHIMIQUES ET PETROCHIMIQUES**
*(Ministry for Energy and Chemical and Petrochemical Industries)*

**ENTREPRISE NATIONALE DES TRAVAUX AUX PUITS**
*(National Oil Exploration Company)*

**NOTICE OF EXTENSION OF CLOSING DATE**

The Supplies Division (Direction des Approvisionnements) of the National Oil Exploration Company (Entreprise Nationale des Travaux aux Puits)—Base les Vergers—Birkhadem—ALGIERS (ALGER), hereby informs the Companies interested in the National and International Call for Tenders No. 1604—IM DIV. for the supply of:

— SPARE PARTS FOR AIR CONDITIONING PLANT TYPE 'TRANE'

that the original closing date set at 15/09/1984 is now extended to 27 October 1984.

# Company Notices

**SOCIETE CENTRALE DE BANQUE INT. ISSUE $ US 20 MILLION FLR. DUE 1987.**

*For six months, from October 5, 84 to April 8, 85 the notes will carry an interest rate of 12% per annum.*

*The interest due on April 9, 85 against coupon number 11 will be $ US 62,-and has been computed on the actual number of days elapsed (186) devided by 360.*

*The principal paying agent*
**SOCIETE GENERALE ALSACIENNE DE BANQUE**
*LUXEMBOURG BRANCH*

**ENEL FLR 80/87 $ US 400 MILLION**

*For six months, from October 5, 84 to April 8, 85 the notes will carry an interest rate of 12% per annum.*

*The interest due on April 9, 85 against coupon number 10 will be $ US 310.- and has been computed on the actual number of days elapsed (186) divided by 360.*

*The principal paying agent*
**SOCIETE GENERALE ALSACIENNE DE BANQUE**
*LUXEMBOURG BRANCH*

# Split over principle still bars way to pit peace

BY JOHN LLOYD, LABOUR EDITOR

THE NATIONAL Coal Board and the National Union of Mineworkers (NUM) meet tonight for a fourth day of talks at Acas, the Government-backed conciliation service, separated by two words which contain all the vast division of principle still yawning between them.

Talks at Acas from last Thursday to Saturday have shaved the differences down to a point where the two other mining unions – the pit supervisors' union, Nacods, and the British Association of Colliery Management – now believe the gap can be bridged and the way cleared to an agreement in the long-running dispute.

It is also recognised, however, that the basic principles remain incompatible, that there is no trust between the two main parties and that even if an agreement is reached – by no means certain – it will be fragile.

Tonight's session, beginning in the late afternoon is likely to be crucial. The two sides will have before them a draft clause 3c on pit closures drawn up by Acas officials which presently allows either management or unions to bring forward collieries for "discussion and investigation in line with the principles of Plan For Coal," the joint strategy for the future of the industry drawn up in 1974.

The second paragraph of the draft clause says that such collieries would be considered by a independent appeals body to which all matters relating to the prospect of closure could be referred.

The NUM with the general backing of Nacods insisted in the Friday and Saturday sessions of talks that the phrase in the first paragraph read simply "in line with Plan For Coal" suspecting that the vaguer phrase incorporating "principles of" would allow the NCB scope to close heavy loss-making pits as it wished.

It is also concerned to broaden the reference to the appeals body to all matters, not simply relating to closure. The NCB is against this because it fears that the union could, for example, attempt to refer its investment plans to an outside body.

The two issues could be interdependent since both the NCB and the union have at different times over the three days of talks suggested that they might accept a change in one or other of the two areas, but not both together.

The "closure," issue is probably more capable of compromise and Acas officials are likely to put forward new phrases to cover this point. It is thought that the NCB's fears that a range of issues will come up to the appeals body have little foundation.

But the "principle" issue lies at the very heart of the debate between the NCB and the NUM. The board has argued that while the principles of the plan are expansionist they also are for an efficient industry: once efficiency is achieved, it has said, expansion could begin once more.

For its part, the NUM wants to tie the NCB down to the Plan for Coal.

ARMY PREPARES TO TEST COMPONENTS

# Search begins for new battle tank

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT

THE BRITISH army is preparing to test components which go into a new main battle tank for the 21st century – only weeks after it gave its newest vehicle, the 60-tonne Challenger, its first "blooding" in the Lionheart military exercises in West Germany.

The tests, which are taking place at the army's research establishment at Chertsey, follow the evaluation of studies of a 21st century tank submitted by British defence companies earlier this year.

The next stage in the process is likely to be a request from the Ministry of Defence (MoD) to industry to tender for the building of several model or demonstrator tanks to test both new technology and designs.

The decision to invite Britain's armoured vehicle manufacturers to submit their ideas for the new main battle tank is one of the earliest illustrations of the Government's policy not only to encourage competition in defence contracting but also to seek industry's co-operation in the formulation of new ideas and concepts.

The Royal Ordnance Factories (soon to be privatised), Alvis (now part of United Scientific Holdings) and Vickers Engineering submitted their reports to the MoD last May.

Mr Peter Levene, chairman of USH, describes the approach as "something of a revolution." Mr Levene points out that his company was asked to report on the new tank before last January, when he became personal adviser to Mr Michael Heseltine, the Defence Secretary. The posting was only for six months.

The army gave the companies their classified assessment of the military threat which Nato armies might face in central Europe from 1995 onwards and asked them to come up with their own solutions. Mr Levene says the MoD's guidelines were that the vehicle must be affordable; saleable; suitable for use in northern Europe; and meet the army's requirements. He notes that in the past the last item would undoubtedly have been at the top of the list.

The MoD has put its usual secret stamp on the companies findings, but by all accounts no revolutionary solutions were put forward.

The MoD and the companies seems to agree that there will be evolutionary improvements rather than radical change.

It already seems clear that the battlefield of the future will have tanks looking much like today's, though armed attack helicopters will be much more important. Critical too, could be "emerging technology" or ET weapons like the U.S. Skeet, a tin-can sized submunition which is fired in a cluster from a distant rocket at a company of tanks, seeking the heat of the vehicles' engines to destroy them.

But while developments like these will clearly need countering, with even more efficient armour, for example, there appear to be no suggestions as to how to make a tank radically lighter or more manouvrable – no hover-tanks are on the horizon.

One company is said to have recommended a turretless tank (Sweden's main tank is currently designed that way) while another put forward an automatically-loadable gun (Soviet tanks have those). Obviously new tanks would take advantage of developments in electronics and optronics, enabling more sophisticated fire control.

The army's plans for the new 21st century tank could well be entering a state of flux. There is already debate as to whether a new British tank could or should be developed for use from 1995, instead of incrementally improving Challenger – though it is doubtful whether the ageing and increasingly noisy and smoky Chieftain could last far into the next decade.

There is also the vexed question of whether Nato or at least Nato's European governments will be able in the next few years to agree on a joint requirement for a tank common to all. They have failed miserably in the past – witness the almost simultaneous introduction of the U.S. Abrams M1, the West German Leopard 2 and Challenger, all being put through their paces on Lionheart.

# Pressure mounts for space agency

By Michael Donne, Aerospace Correspondent

PRESSURE from the aerospace industry for the creation of a space agency to co-ordinate the UK's various space research activities, is now mounting.

Support for such a venture has already been expressed by British Aerospace, one of the biggest space satellite builders in the world.

This week, TASS, the engineering union, will add its backing for such an agency.

Mr Chris Darke, the union's aerospace organiser, and Mr Ernie Ross, MP, who is the joint secretary of the House of Commons all-party committee on space, will put their case tomorrow to Mr Geoffrey Pattie, recently appointed minister responsible for aerospace in the Department of Trade and Industry (DTI).

Mr Pattie, however, is apparently not convinced that Britain needs a space agency, believing that the DTI itself is more than capable of controlling the UK's space research activities.

The idea of a space agency is nevertheless gaining ground. With key decisions looming next year on the UK's long-term praticipation in the European contribution to the U.S. Manned Space Station, and the likelihood of Britain also being asked to participate in further developments of the European Ariane space launcher, it is felt that a space agency is becoming increasingly desirable.

At present, the UK's space efforts are handled by various government departments.

**David Lascelles** reports on the firms who aim to become primary dealers in gilts

# City shapes up for a new market

MORE HATS are being tossed into the ring of City of London firms wanting to become primary dealers in the new-style gilts market.

Last week's announcement of a joint venture by James Capel, the stockbrokers, with Gerrard & National, the discount house, adds two fresh names to a fast-growing list which already includes three of the big four clearing banks, six merchant banks, and an assortment of other brokers, jobbers and foreign banks.

Pember & Boyle, a leading gilts broker, is also joining the group already formed by merchant bankers Morgan Grenfell and jobbers Pinchin Denny.

By the time the new market is launched, possibily in 1986, there could be as many as (30 or more) hopefuls. They will be modelled on Wall Street primary dealers who make market in treasury securities and have a responsibility to bid for Government paper but enjoy in return special access to the central bank. Exact details are to be unveiled by the Bank of England next month.

Many people believe that primary dealership status is the key to survival in the City revolution; without it brokers, jobbers and discount houses would be pushed to the sidelines and possibly into oblivion. But exactly because of that the scramble for business is likely to be fierce.

"The arithmetic certainly suggests that there will be a lot of competition," says Mr Charles Villiers, chairman of County Bank, the merchant banking arm of National Westminster, which is putting together a primary dealership with Bisgood Bishop, the jobbers, and Fielding Newson-Smith, the stockbrokers.

The new firms will be fighting for a share of a market which is at present dominated by only two: the leading jobbers Akroyd & Smithers (which is teaming up with S.G. Warburg) and Wedd Durlacher Mordaunt, which has joined Barclays Bank. Though the gilts market could swell as turnover accelerates, the end of fixed rate commissions will pare back margins as well.

With all the talk of a bloodbath, people are putting on brase faces and trying to calculate how much capital they are prepared to commit to the new business – and how long they can sit it out to be a survivor.

"We intend to be long distance runners," said Mr David Dugdale of James Capel, a firm which enjoys the backing of the Hongkong Bank and can probably afford to be bolder than many. But a U.S. banker indicated just how tough things could get. His bank is prepared to lose money for several years in order to survive as a primary dealer, he said, "because we see this as a way of getting into a new market rather than immediately making a profit."

Although the Bank of England is likely to set capital guidelines, a minimum £25m may be needed to be a credible player in the markets, possibly more.

"One hears talk of £25m to £50m," says Mr Staffan Gadd, chairman of Samuel Montagu, the merchant bank subsidiary of Midland Bank and Aetna Insurance of the U.S. which is teaming up with Greenwell, the stockbrokers. That alliance can look to a commitment by Montagu's parents of £30m though Mr Gadd stresses that this has not necessarily been earmarked for the gilts operation.

Montagu at present has a deal to buy 50 per cent of Greenwell, but it may seek to change this to 100 per cent. the bank's management is also hoping to negotiate a share of the action for itself.

The conventional format for a primary dealership seems to be a bank plus either a stockbroker or a jobber or both, to combine capital muscle with the skills of the trader and broker.

The Capel-Gerrard-National alliance marks a departure which bring together a stockbroker and a leading player in the money market rather than the bond markets. Whether this new formula will succeed remains to be seen. The independent discount houses must be examining it closely because their own future looks somewhat uncertain, the new gilts market is expected to embrace the short-term bill market, as it does on Wall Street, and the special standing of the discount houses could be obliterated.

**MORGAN GRENFELL, the London merchant bank, has moved towards building an integrated securities business with the acquisition of a stake in Pember and Boyle, one of the leading brokers in gilt-edged securities. Morgan is taking a 5 per cent stake with an agreement to buy the rest as soon as is allowed by expected changes in stock exchange rules.**

**Terms of the deal are not being disclosed, but the price is understood to be well under £10m, partly in cash and partly in Morgan Grenfell shares. The acquisition will form part of a new Morgan Grenfell subsidiary – Morgan Grenfell Securities – which the group intends to fund with about £50m capital.**

# Tax on child benefit 'rejected'

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

PROPOSALS to tax the child benefit appear now to have been rejected by senior ministers. That follows an intensive study on ways to bring the benefit into the tax net, as an offset to the extra £1bn which the Department of Health and Social Security says it will need next year, in addition to its agreed budget.

Treasury ministers would like in principle to tax the benefit, because they believe it is wrong that high-income families should continue to get a tax-free handout from the state.

They appear now, however, to have been persuaded that there are weighty objections to the scheme.

The first is that many poorer tax-paying families would receive less benefit, which is considered undesirable in itself.

Even more important, the poverty trap would be worsened since families whose incomes move from just below the tax threshhold to just above it would lose part of the child benefit as well as losing part of their income in tax.

In recent years, the Government has raised the child benefit in real terms because, being untaxed, it has helped to alleviate the poverty trap.

A further objection put to the Treasury is that husbands would have to pay tax on benefits paid mainly to wives.

# Education under spending scrutiny

GREATER INVOLVEMENT by central government in the provision of education is one of several ideas which will be examined in the forthcoming internal review of local authority financing announced by Mr Patrick Jenkin, Environment Secretary, to the Conservative Party conference last week, **Hazel Duffy** writes.

Education is the single largest item of expenditure in local authority budgets. Any suggestion that central government should have greater control over the expenditure allocated to this service will meet fierce opposition from some quarters.

The Government is determined, however, that it should exercise control over local authority spending which accounts for about one quarter of public expenditure.

□ **EXTRA** payments to workers in areas of skill shortages are a major factor behind the growing gap between reported pay settlements and actual earnings, an internal report by the Engineering Employers Federation says.

Government and employers are known to be increasingly worried at the "drift" only part of which can be accounted for by traditional factors such as overtime and shift working.

□ **TESCO**, *the supermarket chain*, has emerged as Britain's leading multiple grocer, according to a report by the Verdict market research company.

It says that Tesco has a 11.9 per cent share of the UK food market, compared 11.6 per cent by J. Sainsbury. Other surveys have given the leading position to Sainsbury, but Verdict says its report covers the total food market and not the narrowly-based packaged grocer sector.

□ **CIGARETTE** production will be resumed today at the British American Tobacco Company's (BAT) plant at Liverpool after a week-long sit-in by 40 workers supported by a strike of a further 700.

The dispute arose over severance payments for 70 workers in the latest batch of redundancies announced by BAT. The company is aiming to slim its workforce by 1,200.

□ **UPWARD** pressures on general pay settlements which have been evident since last summer are likely to be reinforced by present claims in the motor industry, Income Data Services, the wage research body, says.

*An automatic knock-on effect* into other sectors was not inevitable, but the upturn in the motor industry over the past year had already boosted engineering wages in the Midlands.

## UK NEWS

# Rescue team awaits report on scale of losses at JMB

BY DAVID LASCELLES, BANKING CORRESPONDENT

WITH THE replacement at the end of last week of the three top executives at Johnson Matthey Bankers (JMB), the Bank of England has assumed complete control of the crippled institution it rescued two weeks ago. But it will be a further two to three weeks before the full extent of the bank's enormous losses is known, with a report from Price Waterhouse, the accountants, although the rescue assumed a worst position of £250m.

Under Mr Rodney Galpin, the senior Bank official who is now JMB's chairman, a Bank of England team and dozens of outside banking experts and consultants are picking through the place, checking everything from the locks to the pension fund and trying to boost the morale of 650 shaken employees.

So far, they have ascertained that:

- The bank went off the rails because management was "bright but young and inexperienced" and that it was under great pressure from Johnson Matthey, its parent, to expand the balance sheet. Blame should be attached to the bad judgment of the bank's leadership and poor controls.
- No further shocks are expected in the bank or its many subsidiaries.
- Loan difficulties, mainly associated with international trade finance, particularly with Nigeria, had as much to do with poor or faulty loan documentation as with credit risk. Loans thought to be insured by the ECGD turned out not to be.
- The crisis did not result in any loss of deposits.

The Bank is combing through the loan book and classifying them according to whether they are sound, potentially troublesome or already a loss, in which case they are put in a newly formed "recovery unit" whose job it will be to salvage whatever it can. None of JMB's loans has yet been written off.

Some of JMB's bad loans were shared with other lenders, meaning that other banks face losses too. But those close to the investigations claim that the numbers are relatively small.

JMB continues to lend to established clients. Ironically the £50m capital infusion it received from its former parent as part of the rescue means it is now a net lender in the London money markets, where it remains active. The bank's bullion dealing the major part of its business, has operated normally all through the crisis and Mr P. J. K. Smith, who heads the dealing side, is now the only member of the original management left.

The bullion side alone, with a balance sheet of more than £1bn, is a well run money maker.

# Young accountants enjoy jobs boom

BY MAURICE SAMUELSON

THE ACCOUNTANCY profession is experiencing a jobs boom, particularly among qualified and partly qualified people in their twenties and thirties, older personnel, however, are finding it harder to find work.

Public sector accountants continue to be better paid than many private sector colleagues and there are many positions available.

These are among conclusions of the 1984 autumn survey of salaries in accountancy published today by Accountancy Personnel and other recruitment sections of the Career Care Group of employment agencies.

It describes accountants as being "in the vanguard of Britain's growth industries, especially high technology and computer industries, where their ability to adapt and develop make them highly sought after."

The survey tells of a 30-year-old qualified accountant in Croydon recruited as a financial controller at a salary of £17,000 a year in order to extend computerisation and achieve staff rationalisation within a large private group.

The preference for younger recruits is connected with employers' apparent belief that older staff are less adaptable to new technologies. In Leeds, Bradford and Cardiff 90 per cent of the candidates found jobs by Accountancy Personnel's offices were under 45.

A newly qualified chartered graduate accountant aged about 25 can expect to enter a large London firm this autumn at a salary of £10,750 to £11,750 a year. In industry, salaries would range from £11,500 to £13,000."

A salaried accountant entering a London firm with 10 or more partners can expect to earn at least £21,000 a year, rising to £26,000 plus after five years and more than £33,500 after 10 years.



# Jaguar sees growing market in W. Germany

BY JOHN GRIFFITHS

WEST GERMANY could eventually overtake the UK as the largest European market for Jaguar, the British luxury car maker.

Mr Neil Johnson, Jaguar's sales and marketing director, told a conference on the motor industry at the weekend that the company had entered the mainstream of West Germany's luxury car market.

The company has revised upwards its forecast of 1984 sales in West Germany to 1,900 from 1,800, compared with 1,100 last year. That still leaves a large gap between the German and UK performances, however. Last year Jaguar sold 7,069 cars in the UK.

Overall, the company expects to sell 33,000 cars this year with 18,000 of the total going to the North American market.

Mr Johnson claimed that more and more motorists in Germany were trading in their Mercedes and BMWs for Jaguars.

# Managers offer National Bus plan

BY MAURICE SAMUELSON

SENIOR MANAGERS of the National Bus Company (NBC), which runs about 40 per cent of Britain's bus services, are trying to ensure that when it is sold off to the public it should be broken into only four large companies, instead of the dozens of local units favoured by Mr Nicholas Ridley, Transport Secretary.

They are pressing the company's directors to put this plan to the Department of Transport, whose officials expect draft legislation to privatise the industry to be presented in the autumn session of Parliament.

Their plan, which has still not been presented to the Government, reflects the fear among senior NBC managers that they will no longer be needed if their company is replaced by dozens of small competing units.

Despite their anxieties, it is not certain that the forthcoming privatising legislation will specify how the NBC, which runs 14,000 buses, is to be disposed of. Some officials yesterday were suggesting that this will be left to the company itself once the enabling legislation has been enacted.

By opening the services to private competition, the Government hopes to cut subsidies to local bus services, which totalled £911m in 1982-83 (including concessionary fares and fuel rebates).

A White Paper (Government Policy Document) published in July envisaged municipal bus services being taken over by private companies, which would be required to make profits. Employees would be encouraged to buy a stake in the business and far greater competition to buses would come from private taxi operators.



# Hattersley call for pay policy

By Max Wilkinson

AN INCOMES policy with temporary import controls would probably be needed as part of a Labour Party strategy to expand the economy and create more jobs Mr Hattersley, the party's deputy leader, and economics spokesman said yesterday.

A Labour government would also seek to ensure that companies made high profits and that these profits were directed toward investment, he said.

Mr Hattersley said the present government's medium term financial strategy would need to be replaced by a new strategy which had the creation of jobs as its central objective.

## BASE LENDING RATES

| | | | |
|---|---|---|---|
| A.B.N. Bank | 10½% | ■ Hill Samuel | §10½% |
| Allied Irish Bank | 10½% | C. Hoare & Co. | †10½% |
| Amro Bank | 10½% | Hongkong & Shanghai | 10½% |
| Henry Ansbacher | 10½% | Kingsnorth Trust Ltd. | 10 % |
| Armco Trust Ltd. | 11 % | Knowsley & Co. Ltd. | 11 % |
| Associates Cap. Corp. | 10½% | Lloyds Bank | 10½% |
| Banco de Bilbao | 10½% | Mallinhall Limited | 10½% |
| Bank Hapoalim | 10½% | Edward Manson & Co. | 11½% |
| BCCI | 10½% | Meghraj and Sons Ltd. | 10½% |
| Bank of Ireland | 10½% | Midland Bank | 10½% |
| Bank of Cyprus | 10½% | ■ Morgan Grenfell | 10½% |
| Bank of India | 10½% | National Bk. of Kuwait | 10½% |
| Bank of Scotland | 10½% | National Girobank | 10½% |
| Banque Belge Ltd. | 10½% | National Westminster | 10½% |
| Barclays Bank | 10½% | Norwich Gen. Tst. | 10½% |
| Beneficial Trust Ltd. | 11½% | People's Tst. & Sv. Ltd. | 12 % |
| Brit. Bank of Mid. East | 10½% | R. Raphael & Sons | 10½% |
| ■ Brown Shipley | 10½% | P. S. Refson & Co. | 10½% |
| CL Bank Nederland | 10½% | Roxburghe Guarantee | 11½% |
| Canada Permn't Trust | 10½% | Royal Bk. of Scotland | 10½% |
| Cayzer Ltd. | 10½% | Royal Trust Co. Canada | 10½% |
| Cedar Holdings | 11 % | ■ J Henry Schroder Wagg | 10½% |
| ■ Charterhouse Japhet | 10½% | Standard Chartered | ‖10½% |
| Choulartons | 11½% | Trade Dev. Bank | 10½% |
| Citibank NA | 10½% | TCB | 10½% |
| Citibank Savings | ¶12 % | Trustee Savings Bank | 10½% |
| Clydesdale Bank | 10½% | United Bank of Kuwait | 10½% |
| C. E. Coates & Co. Ltd. | 11½% | United Mizrahi Bank | 10½% |
| Comm. Bk. N. East | 10½% | Volkskas Limited | 10½% |
| Consolidated Credits | 10½% | Westpac Banking Corp. | 10½% |
| Co-operative Bank | *10½% | Whiteaway Laidlaw | 11 % |
| The Cyprus Popular Bk. | 10½% | Williams & Glyn's | 10½% |
| Dunbar & Co. Ltd. | 10½% | Wintrust Secs. Ltd. | 10½% |
| Duncan Lawrie | 10½% | Yorkshire Bank | 10½% |
| E. T. Trust | 11 % | | |
| Exeter Trust Ltd. | 11 % | | |
| First Nat. Fin. Corp. | 13 % | | |
| First Nat. Secs. Ltd. | 12 % | | |
| ■ Robert Fleming & Co. | 10½% | | |
| Robert Fraser | 11 % | | |
| Grindlays Bank | ‡10½% | | |
| ■ Guinness Mahon | 10½% | | |
| ■ Hambros Bank | 10½% | | |
| Heritable & Gen. Trust | 10½% | | |

■ Members of the Accepting Houses Committee.
* 7-day deposits 7.25%. 1 month 8.00%. Fixed rate 12 months £2,500 9.75% £10,000. 12 months 10.00%.
† 7 day deposits on sums of under £10,000 7¾%, £10,000 up to £50,000 8%, £50,000 and over 8¾%.
‡ Call deposits £1,000 and over 7¾%.
‖ 21-day deposits over £1,000 8½%.
§ Demand deposits 7¾%.
¶ Mortgage base rate.

# UK NEWS

## French try to tempt British shoppers

**By Andrew Fisher**

FRENCH shopkeepers plan to stay open longer and hand out free wine and trading stamps in the hope of tempting back some of British cross-Channel passengers who have been staying away this year.

The ending of the simple identity card system for daytrippers from south coast ports to France has combined with the miners' strike to cause a sharp drop in traffic from Britain.

The latest figures from Dover, Britain's main cross-Channel port, revealed a drop of some 330,000 passengers in July and August compared with 1983.

Some stores in Calais reckon that the number of British customers has fallen by half in recent months. The local branch of the Prisunic chain plans to give purchasers of 10 bottles of wine an extra two free.

For those buying as many as 100 bottles, the gift will be 50 free bottles.

## Nuclear waste may be dumped below seabed

**FINANCIAL TIMES REPORTER**

THE UK NUCLEAR industry is considering the feasibility of dumping radioactive waste in repositories beneath the seabed.

Several companies have been invited to submit proposals to the Nuclear Industry Radioactive Waste Executive (Nirex), the Sizewell B power station inquiry has been told.

The inquiry, which is investigating the possibility of building a pressurised water reactor at Sizewell on the Suffolk coast, last week heard of the dilemma facing the industry over finding a method of waste disposal acceptable to the public. The inquiry was also told of the special tools which were being developed to dismantle nuclear power stations when they become redundant.

Uncertainty over the future of waste disposal had now forced the Central Electricity Generating Board (CEGB) to produce alternative decommissioning plans, the inquiry heard.

Mr Ron Flowers, a member of the directorate of Nirex, said the industry still had to convince the public that waste burial on the UK mainland was safe. He said Nirex considered it would be possible to dump low and intermediate level waste offshore on the continental shelf.

Conceptual designs had already been prepared, one of which used oil drilling techniques to gain access to the ocean bed, Mr Flowers said.

Mr Fred Passant, head of the CEGB's active waste division, said public opposition to land dumping had forced the board to draw up contingency plans for storing waste on nuclear power station sites and to rethink its decommissioning policy.

The present policy favoured the complete clearing of the site over a period of more than 100 years.

Mr Henry Brooke, QC, Counsel to the Inquiry, said it might be argued that it was up to the current generation to dispose of its waste as far as was practical rather than leave the problem for a future generation.

Mr Passant said he would rather leave a legacy of radioactive waste than a legacy of insufficient energy.

Mr Alan Gregory, head of nuclear decommissioning projects for the CEGB, said no large nuclear power station had yet been dismantled.

## Sharp rise in number of smaller businesses

**By Alan Pyke, Industrial Correspondent**

EVIDENCE OF a strong shift from conventional jobs to self-employment during the recession is contained in the Manpower Services Commission's latest labour market quarterly report.

Self-employment rose from 1.84m in mid-1979 to 2.25m by March this year. Such growth reverses a trend during the 1970s when the number of self-employed fell by about 100,000 in the eight years before 1979.

The report records "very large increases" in self-employment since 1979 in banking, finance and insurance and in the other services category, which includes health, recreational, cultural and personal services. There has also been a revival of self-employment in distribution, hotels and catering—sectors that experienced a decline of 10 per cent or more during the 1970s.

In construction, where many jobs have disappeared, increasing numbers of workers are trying to go it alone. Self-employment rose by 70,000 in the four years to 1973. "This rise occurred over a period when the number of employees in the industry fell by some 200,000, indicating some change within the industry in the way work is organised," said the report.

More than a third of Britain's self-employed workers live in London or elsewhere in the South-east of England – although they constitute only 9.5 per cent of the region's labour force. The highest concentration of self-employed workers in percentage terms is in the South-west of England with 12.1 per cent, and East Anglia and Wales, which each have 11.7 per cent.

Banking, finance and insurance accounted for 220,000 self-employed workers by last year, compared with 145,000 in 1979, while the other services sector grew by 122,000 to 356,000 over the same period.

## Sears chief to stand down

**By Stefan Wagstyl**

MR LEONARD SAINER, who took over as chairman of the Sears Holdings group from its founder, Sir Charles Clore, in 1978, is planning to hand over to a successor next year.

The chairmanship is expected to pass to Mr Geoffrey Maitland Smith, the group's 51-year-old chief executive, who became joint chairman with Mr Sainer in August this year.

Mr Sainer, aged 75, will become the group's president, a post specially created at Sear's annual meeting in July.

Mr Maitland Smith is a chartered accountant who joined the board of Sears in 1971.



## BUSINESSMAN'S DIARY

### UK TRADE FAIRS AND EXHIBITIONS

**Current**
British Designer Show (01-385 1200) (until October 16) — **Olympia**
National Franchise Exhibition (01-602-7661) (until October 16) — *Kensington Exhibition Centre*

**October 16-18**
Internepcon Conference and Exhibition (01-891 5051) — **Brighton**

**October 17-28**
British Motor Show (01-235 7000) — **NEC, Birmingham**

**October 22-24**
International Exhibition of Technology, Equipment and Service Banking Insurance and Finance (021-705 6707) — **Barbican Centre**

**October 23-26**
London Business Equipment Show (01-647 1001) — **Earls Court**

**October 26-November 3**
International Bike Show (01-385 1200) — **Olympia**

**November 5-8**
5th Offshore Inspection, Repair and Maintenance Conference and 6th AODC Underwater Engineering Symposium (01-549 5831). — **Aberdeen**

**November 7-11**
National Stamp Exhibition—STAMPEX (01-930 6465). — **Royal Horticultural Halls**

**November 11-15**
International Domestic and Contract Textiles Exhibition (01-572 2121); and International Furniture Show (021-780 4141) — **NEC, Birmingham**

**November 20-22**
Fluid Handling Exhibition and Conference — INTERFLOW (01-680 7525) — **Harrogate**

**November 20-22**
International Exhibition on Computers and Communications in Investment, Banking and Insurance (01-868 4466) — **Barbican Centre**

**November 26-30**
International Construction Equipment Congress and Exhibition (01-637 2400) — **NEC, Birmingham**

**November 28-30**
Electronic Displays Exhibition and Conference (0280 815226) — **Kensington Exhibition Centre**

**December 2-6**
Royal Smithfield Show and Agricultural Machinery Exhibition (01-235 0315)—trade only on Dec. 2. — **Earls Court**

### OVERSEAS TRADE FAIRS

**Current**
World Fair of Photography, Photo, Cine, Video, Audiovision—PHOTOKINA (01-930 7251) (until October 16) — **Cologne**
International Communications Trade Fair (01-486 8686) (until October 21) — **Sao Paulo**
International Hotel and Catering Equipment Exhibition (01-439 3964) (until October 22) — **Paris**

**October 23-27**
International Electrical and Electronic Engineering Exhibition—ENEX ASIA (01-683 1158) — **Singapore**

**October 29-31**
Trade Fair for Clothing Textiles—INTERSTOFF (01-734 0543) — **Frankfurt**

**October 30-November 5**
International Tourism, Hotel Facilities & Construction Materials Exhibition INTER HOTEL (01-236 2399) — **Beijing**

**November 1-5**
International Exhibition of Office Equipment Furniture and Stationery — OFFICE (01-683 1158) — **Bangkok**

**November 11-15**
Industrial Development Exhibition—SAUDI INDUSTRY (01-486 1951) — **Riyadh**

**November 18-22**
Middle East Building Materials and Construction Industry Exhibition — ARABUILD (01-486 1951) — **Bahrain**

**November 21-23**
Offshore Industries Exhibition and Conference — HOLLAND OFFSHORE (01-437 2175) — **Amsterdam**

**November 27-29**
Underwater Technology Exhibition and Conference—SUBSEA (0923 778311) — **Rotterdam**

### BUSINESS CONFERENCES

**October 15-16**
FT Conference: Unit Trusts—A major force in international investment (01-621 1355) — **Royal Lancaster Hotel, W1**

**October 17-19**
Lloyd's of London Press: Air carriage law and claims handling (01-247 9461) — **Royal Horseguards Hotel, SW1**

**October 18**
Japan Trade Centre: Factory automation and industrial co-operation (01-486 6761) — **Royal National Hotel, WC1**

**October 18-19**
FT Conference: Management Strategy for the Financial Services Revolution (01-621 1355) — **Inter-Continental Hotel, London**

**October 22-23**
FT Conference: Electronic financial services (01-621 1355) — **Barbican Centre**

**October 22-23**
Frost and Sullivan: Motivating and managing computer personnel (01-486 0334) — **Holiday Inn Hotel, London**

**October 23**
Longman Seminars: Pensions—problems in practice—takeovers and insolvencies (01-242 2548) — **Barbican, EC2**

**October 24-25**
British Institute of Management: Annual international conference—managing in tomorrow's world (05363 4222) — **Intercontinental Hotel, London**

**October 25-26**
Macfarlane Conferences: AD Surveys British creativity (01-637 7436) — **Park Lane Hotel, W1**

**October 29-30**
Business Research International: The London international corporate finance conference 1984 (01-637 4383) — **Royal Garden Hotel, W8**

**October 29-31**
Conference Services: Convention of the Bureau International de la Récupération (01-584 4226) — **Grosvenor House Hotel, W1**

**October 30**
Institute of Taxation: Tax and financial planning opportunities—1984-85 (01-235 8847) — **London**

*Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.*

# THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

# A 'flagship' facing major challenges

Today's article, by Guy de Jonquieres, is the fourth in this series. Previous articles appeared on October 8, 10 and 12; the next is on October 17.

"WHAT attracted me to British Telecom is that, if it gets its act together, it is one of the few organisations capable of delivering to the UK a very powerful information technology company," says Colin Crook, managing director of BT Enterprises (BTE).

As Britain's biggest customer for telecommunications equipment, BT already wields massive influence over the electronics industry. Last year, it purchased public exchanges and transmission systems worth £1.2bn and distributed through BTE a further £400m of subscriber apparatus ranging from private branch exchanges to Mickey Mouse telephones.

As liberalisation exposes BT more directly to commercial pressures, it is growing impatient to play a more assertive and adventurous role. "We're a big company and we're going to go places, says Crook. "We are going to articulate a sense of strategic destiny to the market."

Its new ambitions have won support in Whitehall. Initially, some ministers favoured breaking BT into several pieces, to promote more vigorous domestic competition. But the argument that Britain needed a "flagship," big enough to lead a concerted assault on world information technology markets, convinced the Government to keep it intact.

Though its electronics and information technology industries have grown rapidly in the past few years, the UK's international position does not look strong. According to the National Economic Development Office, its trade deficit on computers, telecommunications equipment and software almost doubled to £800m last year, while its world market share fell from 9 per cent in 1970 to 5 per cent in 1981.

BT faces some crucial challenges in the next few years if it is to play a part in reversing these trends. Among its assets, it can count some exceptionally capable top managers, a strong financial base and a valuable capacity for technological innovation at its laboratories in Martlesham, Suffolk.

But the focus of its future thrust in information technology is still unclear. It has had little experience so far of the kind of entrepreneurial risk-taking required in fast-moving businesses such as office automation and is still developing a professional marketing force. Though well-established internationally as a network operator, it is virtually unknown overseas as a supplier of commercial products and services.

It also faces a politically delicate task at home in reconciling its broader mission as a national "flagship" with its own commercial objectives and its responsibilities to future private shareholders.

"If there is a choice between what is good for BT and what would please ministers, they may not be coincident," acknowledges John King, BT's board member for marketing and corporate strategy. "We shall have to tread a careful path between understanding our role . . . and satisfying our political masters."

That may not be easy. The potential problems have been underlined by the fierce controversy aroused by a recent BT proposal to team up with IBM to launch a UK electronic information network. The issue has been widely seen as a test of the Government's commitment to encouraging BT's independence on the one hand and to promoting vigorous competition on the other.

BT has argued that, by offering users of IBM computers a range of sophisticated information services, the network would make a valuable economic contribution. "We are very conscious of our responsibility to the UK in terms of providing one of the essential ingredients for doing business," according to King.

But it has not convinced many critics in the electronics industry, who object that BT and IBM are so powerful in their respective markets that an alliance between them would be anti-competitive. A similar view has been taken by the Office of Telecommunications, the new regulatory authority.

Some opponents of the venture have also expressed concern that the proposed link-up could presage a more general shift in BT's allegiances which would weaken its ties with UK electronic manufacturers. BT is quick to deny any such intention, insisting that it remains committed to buying from British suppliers.

It is equally emphatic, however, that it will do so only if they perform. Dudley Fielding, director of operations at British Telecom Enterprises, sums up the position bluntly: "Yes, we have a patriotic duty to buy British. But not at the expense of the business."

BT's relations with telecommunications manufacturers have already undergone a succession of upheavals in the past few years as it has begun to impose stricter commercial disciplines on its principal suppliers, which in the past operated much as a cosy annex of the old Post Office monopoly.

The former system of cost-plus contracts is being phased out in favour of competitive fixed-price tenders. BT's rigid specification rules, which have often led to over-engineered products which could not be sold abroad, are being simplified and aligned with international standards.

The organisation has also been prepared to play rough. When GEC and Plessey baulked at lowering the prices they charged for private branch exchanges three years ago, it promptly ordered a rival product from Canada's Mitel.

In 1982, it instituted a radical shake-up of production arrangements for System X exchanges which led to Standard Telephones and Cables dropping out of the programme. Earlier this month it asked three international companies to bid to supply an alternative to System X. It plans to award the winner up to 20 per cent of its local exchange orders.

John Alvey, BT's head of procurement, says that its tougher policies are intended to equip UK manufacturers to face up to international market realities: "Unless our suppliers can meet these pressures they will not survive in the wicked world in any case."

Its tactics have started to produce improvements. But BT is still far from satisfied. Criticisms persist of late deliveries, poor quality and UK industry's reluctance to adopt technology and design techniques in use in the U.S. and Japan.

"It is embarrassing to say it, but the record of some UK suppliers is not outstandingly good," says King. "They don't seem to react to the pressures as much as you would hope."

Last year, BT itself dipped a toe into manufacturing, setting up an assembly line at a plant in Cwmcarn, South Wales, to make inexpensive telephones. The receivers, developed at its Martlesham laboratories, are now coming off the assembly line at the rate of several thousand a week.

The organisation appears undecided whether to expand its manufacturing activities further. Sir George Jefferson, its chairman, approaches the whole issue of vertical integration with some caution, arguing that it is all too easy for a large company to become the captive of its own in-house facilities.

Many outside experts believe that devising a convincing product and marketing strategy for attacking information processing markets is, in any case, a more pressing priority for BT's planners.

BT Enterprises has been highly successful in replacement businesses such as telephones and business private branch exchanges. But its efforts to pioneer new markets have made little headway so far. "If you look at office automation and computing, we start from a very weak position," admits Crook, who joined BT a year ago after a career with electronics companies on both sides of the Atlantic.

Part of the problem has been that BTE has done little more so far than attach its own label to equipment such as word processors purchased from outside suppliers. Crook, who is in the throes of overhauling BTE's product strategy, aims to develop more proprietary products which take greater advantage of BT's expertise in communications networks.

It is widely acknowledged in BT that to mount an effective information technology effort, it will have to forge international alliances which will give it access both to technology and larger markets — particularly in the U.S.

A special task-force has for some months been examining opportunities for acquisitions and joint ventures and is expected to make its first firm recommendations early next year. How BT's Board acts on them may provide some more precise clues to the direction which it wants its business to take.

King, who is in charge of the task-force, emphasises the need to relate BT's decisions to clear strategic objectives. "One of the big risks is that we do too much too fast because the scope in information technology is so wide," he says. "We must not diffuse our management talent to the extent that we end up as poor performers in a lot of businesses."

Trevor Humphries

Colin Crook: overhauling BTE's product strategy

## How suppliers are responding to change

GEC: Telecommunications and Business Systems turnover 1983/84: £735m. Sales to BT: £450m approx. Subcontractor on System X development, major UK supplier of transmision equipment, subscriber apparatus and satellite earth stations.

Tougher competition at home is causing GEC to look for partners to broaden its product range and strengthen its international position. It has held talks with Canada's Mitel, CIT Alcatel of France and West Germany's Siemens, but has yet to reach any agreements.

Efforts to enter the U.S. information systems market have proved largely unrewarding so far. Office equipment manufacturer A. B. Dick of Chicago, bought in 1979, lost money until last year. Plans to launch a small PABX in the U.S. have also ben suspended pending a strategy review.

GEC expressed interest last year in buying into BT but was rebuffed by the Government. Lord Weinstock, its managing director, has strongly criticised BT privatisation plans in the House of Lords.

PLESSEY: 1983-84 Telecommunications turnover: £577m. Sales to BT n.a. Prime contractor for System X, also supplies wide range of subscriber apparatus and transmission equipment.

Plessey says it saw the upheavals in the UK market coming five years ago and is banking heavily on U.S. expansion to broaden its international base. It acquired Florida-based telecommunications manufacturer Stromberg-Carlson in 1982 and is linked to satellite equipment supplier Scientific Atlanta.

Most industry analysts believe Plessey's strategy is right. But a major test will be whether Stromberg can win big orders from the former Bell System local telephone companies in the U.S. Stromberg has undergone a series of management shake-ups and recently moved out of loss.

STANDARD TELEPHONES AND CABLES: 1983 Telecommunications sales: £406.5m. Sales to BT: £305m. STC is diversifying fast in a bid to become a broad-based information systems company, straddling communications and computing. The centrepiece of its strategy is the recent £411m acquisition of ICL, the largest UK-owned computer maker.

STC is the world leader in submarine cables, but its future in the public exchange market has been uncertain since it was dropped from the System X programme two years ago. Its efforts since then to interest BT in a version of ITT's rival System 12 have failed. STC is still supplying BT with older TXE-4 exchanges, though orders are due to fall off sharply after 1986.

## Business courses

**Tax planning and the anti-avoidance law**, London, November 1. Fee: £115 (plus VAT). Details from The Courses Department, The Certified Accountants' Educational Trust, P.O. Box 244, London WC2A 3EE.

**Winning the negotiation**, London, November 1-2. Fee: £375 (plus VAT). Details from Eleonora C. Botti, Training Manager, Monadnock International, 79 St John Street, London EC1M 4DR.

**Management in research and development**, Slough, November 5-9. Fee: £850 (plus VAT). Details from Mrs Ruth Drahota, Course Administrator, Urwick Management Centre, Baylis House, Stoke Poges Lane, Slough, Berks SL1 3PF.

**The Directors' workshop**, Henley, November 7-9. Fee: £465 (Members), £515 (non-members) (plus VAT). Details from The Education Department, Institute of Directors, 116 Pall Mall, London SW1Y 5ED.

**Management of finance in construction companies**, Slough, November 6-8. Fee: £590 (plus VAT). Details from Mrs Ruth Drahota, Course Administrator, Urwick Management Centre, Baylis House, Stoke Poges Lane, Slough, Berks SL1 3PF.

**The fundamentals of advertising**, London, November 6. Fee: £125 plus £18.75 VAT. Details from Seminar Department, CAM Foundation, Adford House, 15 Wilton Road, London SW1V 1NJ.

**Future directions in secure telecommunication — general and finance industry applications**, Berlin, November 5-9. Fee: DM 1,950 (plus 14 per cent VAT). Details from Der-Congress, Congress Organisation, Augsburger Strass 27, D-1000 Berlin 30.

**Directing and managing R & D**, London, November 5-9. Fee: £590. Details from The Secretary, Management Programme, Brunel University, Uxbridge, Middlesex UB8 3PH.

**"Are interviewers obsolete?"**, Nice, November 7-10. Fee: SwFrs 970 (Members), SwFrs 1,145 (non-members). Details from Esomar Central Secretariat, J. J. Viottastraat 29, 1071 JP Amsterdam, The Netherlands.

**Managing corporate turnarounds**, London, November 8. Fee: £175. Details from Sara Banister, Marketing Information Officer, London Business School, Sussex Place, Regent's Park, London NW1 4SA.



## Company Notices

NOTICE TO HOLDERS OF DU PONT OVERSEAS CAPITAL N.V. BEARER SECURITIES

Copies of the Annual Report of E. I. du Pont de Nemours & Company and the Financial Statements of Du Pont Overseas Capital N.V. can be obtained on request from: Du Pont Overseas Capital N.V. c/o E. I. du Pont de Nemours & Co, 1007 Market Street, Wilmington, DE19898, USA. Tel: (0101-302) 774-9017

NOTICE OF PURCHASE US$100,000,000 BARCLAYS OVERSEAS INVESTMENT COMPANY B.V.

UNION BANK OF SWITZERLAND (SECURITIES) LIMITED

London, 12th October, 1984.

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRs) IN SHARP CORPORATION

CITIBANK N.A. London Depositary

REPUBLIC OF COSTA RICA

Floating Rate Note Issue of US$20,000,000 April 1978/85

The rate of interest applicable for the six months period beginning on October 15th 1984 and set by the reference agent is 12 1/8% annually.

DIMOSIA EPIHIRISIS ELEKTRISMOU (Public Power Corporation) US$50,000,000 FLOATING RATE NOTES DUE 1994

ORION ROYAL BANK LTD.

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRs) IN MITSUI & CO LTD, TOKYO

CITIBANK N.A. October 12th, 1984 London Depositary

Clubs

RORENTO N.V.

Asian Development Bank

10¼ per cent. Loan Stock 2009

S. G. Warburg & Co. Ltd. announces on behalf of the Asian Development Bank that in the six months preceding 24th September, 1984, £250,000 nominal amount of the above Loan Stock was cancelled pursuant to the Purchase Fund in respect of the twelve month Purchase Period ending on 28th February, 1985. As at 24th September, 1984, £99,750,000 nominal amount of the above Loan Stock was outstanding.

S.G. Warburg & Co. Ltd. Purchase Agent

12th October, 1984

# THE ARTS

## Architecture

**Colin Amery**

# Goodbyes to High-Rise

October 1984 will be remembered for one crucial architectural event. It won't be the Festival of Architecture, or the opening of another exhibition of architectural drawings, or the gathering in Edinburgh of the young fogies celebrating the apotheosis of the designs of the 1930s. October 1984 will be remembered for the decision of the council of the London Borough of Newham to close and eventually demolish the nine tower blocks built in the 1960s, using the system that failed at Ronan Point.

This month marks the death of the tower block in Britain. It is highly unlikely that families will ever again live in the poorly built dream towers of the 60s because the sad saga extends far beyond the boundaries of Newham's housing estates.

It was in 1968 that one corner of the Ronan Point block in East London collapsed like a house of cards after a gas explosion. The block and eight others like it were built using the Taylor Woodrow Anglian Larsen-Nielsen system. This had been used in Scandinavia, although never for a building over six storeys. It had been banned in the United States. Engineers examining the structure now feel that a crucial joint holding together the walls and the floors is not strong enough to be safe in a high-rise block. The implications of the decision to use the system are enormous and still have to be faced. There are some 40 similar blocks in London alone.

Architects are always anxious *to disassociate themselves from* the decision to build these horrifying concrete blocks and recently a former chief architect to the Greater London Council wrote a letter to a professional journal saying that architects had no say in their structure.

Surely the fact that they have proved so dangerous only emphasises the ned for the architectural and engineering professions to work together more closely.

Looking back at the journals and papers of the late 1960s when the Ronan Point disaster was so much in the news there is a distinct air of professional reticence. While it is difficult to allocate responsibility with any certainty, there remains a great need for an unbiased inquiry into the reasons for the passionate fervour for the selling of systems.

Many people who worked for the local authorities were subject to very heavy selling pressures and the social and structural consequences were neglected. There is no doubt that when the Ministry of Housing asked for advice about the suitability of tower block systems they received a report giving whole-hearted support from the Royal Institute of British Architects.

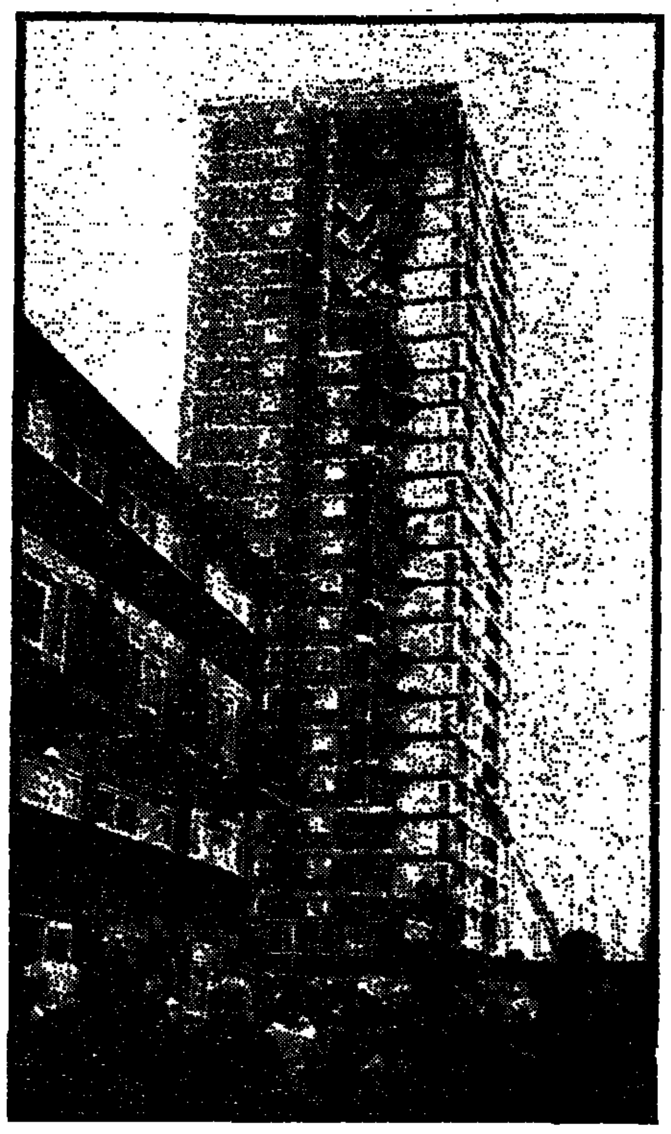
It has been clear to laymen and social workers that blocks with virtually no community facilities, poor landscaping, limited management and rotten materials are not good enough as homes for families. When the French architect Le Corbusier so fervently advocated the high rise flat as the perfect form of home at the turn of the century he had in mind something vastly different from a factory produced slab with no services.

Le Corbusier's vision in*cluded large-scale rooftop gar*dens, extensive balconies and communal facilities like shops and nursery rooms within his **unite d'habitation.** Where high-rise has been relatively successful it has been occupied by the rich or single. In the average British local authority area the astonishing lack of maintenance and management suggests that high-rise in this country is decidedly unloved. A glance at the towers on the Kier Hardie Estate, where Ronan Point is to be found, shows carbonation of concrete, leaks, deterioration of mosaic finishes as well as a general air of neglect.

Only now, almost 20 years after the dreams ofthe castles in the air, has the Newham Council admitted its "monumental blunder" and decided to establish 12 local offices where housing policies can be evolved that are, "responsive to peoples' needs." There are 109 high-rise blocks in the borough of Newham — a staggering indictment of misdirected social and architectuarl policy.

Outside London the real consequences of the architectural hegemony can be seen writ large in most of our towns. The blocks are victims of water penetration, condensation, vandalism and creators of social isolation. In Birkenhead, Dale and Elden Gardens have already been demolished by explosion after a brief 21 years of life, during which they struggled to house 750 people to the acre. The potent image of an eight-year-old girl being killed in Sheffield by a television set thrown from a high-rise balcony seems ot sum up the vacuous horror of this sort of urban life.

Blame cannot be apportioned in isolation on any one group but the design professions must take their share. They have a perfect opportunity to present new and more civilised ideas to the world as the towers come crashing down. This month marks a victory for reason but only the beginning of a period of totally new thinking for the architects.



**May 16, 1968—one corner of the Ronan Point block following a gas explosion**

# Bringing top ballet to Birmingham

## David Churchill talks to Peter Wright whose new Sleeping Beauty opens in Birmingham tonight

Peter Wright, director of the Sadler's Wells Royal Ballet, has a busy week ahead. Tonight his new production of *Sleeping Beauty* opens in the refurbished Birmingham Hippodrome with several new casts having to be worked in over succeeding nights. On Friday he returns to London to start rehearsals with the resident Royal Ballet company at Covent Garden on his new production of the *Nutcracker*, due to open just before Christmas at a special gala *attended by the Queen.*

"I've always worked hard," he admits. "I *like* being busy." The 57-year-old Wright's energy and creative abilities as director and choreographer of a touring company which spends 25 weeks on the road each year with up to eight performances each week, has earned him respect in the arts world. In 1981 he won the *Standard* award for outstanding achievement in ballet—an honour which, apart from anything else, recognised his crucial role in keeping a major touring company alive in an era of increasing financial stringency.

It is hard with hindsight to recall that, a decade ago, the SWRB company as we know it simply did not exist. The organisational upheavals within the Royal Ballet in the first half of the 70s, following the retirement of Sir Frederick Ashton as director, left the role of the touring part of the company in an uncertain state.

The Touring Section of the Royal Ballet, as it was called in the early '70s, was reduced in size and renamed the New Group. Its policy was to take smaller groups of leading dancers on regional tours with specially commissioned small scale modern ballets. Uot surprisingly, the regional ballet public rejected the concept. So it was decide dto revert to a more traditional, large-scale touring company.

In 1976, a deal was reached with the Sadler's Wells Theatre for it to become the London base for a new company, to be called the Sadler's Wells Royal Ballet, with an agreement to give regular seasons at the Wells. The theatre offered not only a permanent base but also well-equipped studio space for rehearsals. Peter Wright, who had joined the Royal Ballet as an associate director in 1970 after a decade of choreographic globe-trotting for a number of international ballet companies, was given a chance to make touring work.

His strategy has been twofold: first, to give the regional ballet public what they wanted—the large-scale, classical ballets; and second, to encourage young dancers and choreographers and to foster a team spirit which gives the company suc stability and consistency.

Wright's early strategy was to restore the smaller, *full-length* ballets, such as *Coppelia* and *Giselle*, in new staging and to bring baek favourites such as *La Fille Mal Gardee* and *The Two Pigeons.* By 1981, he was ready to launch his second stage strategy with the major classics—in his new *Swan Lake* was widely acclaimed—followed in 1982 withD avid Bintley's first full-length ballet, *The Swan of Tuonela.*

"It was important for us as a company to do the major classical works," says Wright. "We could not expect to be taken seriously as a leading ballet company without having them in the repertory." He clearly rejected the idea of doing "watered down" versions of Covent Garden productions as being unfair to danecrs and public alike.

*Wright cites two other main* reasons for mounting large-scale classical productions. "There are now a number of large theatres in major cities which can put on—and deserve—the full-scale classics," he says. Apart from Birmingham, there are top-class theatres in Manchester, Bristol, Liverpool, and a number of other cities.

Wright's second reason is more personal. "I happen to love the classics, but we couldn't go on doing *Swan Lake* for ever, so we had to expand our repertory." Wright's *Sleeping Beauty* is virtually a guaranteed artistic (and commercial) success since it is largely based on a production he created for the Dutch National Ballet in 1981 which was well received by most critics.

For this production he has re-choreographed some of the scenes but the basi cconcept remains the same. This new production, however, will still cost at least £150,000 (partly subsidised by the West Midlands County Council and the Friends of Covent Garden) but it will last for at least a decade.

"In any case, we have to do productions which stand up to the best of other companies' productions," insists Wright.

Although the company lost a few senior dancers during the summer, Wright believes that he now has probably his strongest complement of dancers. "We are a closely-knit, technically well-equipped company ready for anything," he states. One of the SWRB's great strengths, essential for touring work, is its corps de ballet and soloists. "After all, we can always find principal dancers to guest in lead roles but it takes years to develop the depth of talent we now have." Two guest dancers appearing this week are the Canadian Evelyn Hart and Henny Jurriens from the Dutch National Ballet.

What next for the SWRB? Wright believes (as do most observers) that the company has now found its own, separate, identity to that of the Covent Garden based company. But he is adamant that the company should go on developing, especially by creating more of its own three-act ballets which are so popular with the paying public. In 27-year-old David Bintley, the company's resident choreographer, Wright has probably one of the brightest talents in ballet worldwide.

And for Peter Wright himself? "I want to go on doing very much what I enjoy and am doing now," he says. Opportunities such as mounting the *Nutcracker* for Covent Garden are clearly not to be missed but, having establshed the SWRB's reputation, he clearly has no intention of letting go just now.

## Nancy Jazz Pulsations

The Nancy Jazz Pulsations, being held until October 21, provides a mixed programme of star jazz artists, music from Africa and the Antilles, blues, new muscians from New York, and rock.

Ray Charles plays and sings at two concerts on October 18.

Among the many other artists lined up for Nancy's Chapiteau de la Pépinière include gospel singer Bessie Griffin, vocalist Bobby McFerrin, pianist Monty Alexander, pianist Geri Allen and saxist Prince Lasha (*the last two* performing for the first time in France) and bluesmen Eddie Shaw and Johnny Copeland.

## Ursula Oppens/Elizabeth Hall

**Andrew Clements**

Miss Oppens is most familiar in London as an interpreter of contemporary music, and especially the works of Elliott Carter. Her Elizabeth Hall recital yesterday afternoon included one Carter piece, *Night Fantasies*, of which she is one of the four pianist-dedicatees, but otherwise provided an opportunity to hear her in 19th-century works, from Schubert to Liszt.

The impression she gave was of a highly thoughtful, intuitively sensible artist, but yet one who does not allow herself always to develop her ideas to their logacil and most effective conclusion. Throughout the Schubert A minor sonata D.845 there was the of necessary rhetorical gestures sense of punches being pulled, suppressed; where one longed for a pause to be extended just a fraction more or a phrase drawn more lovingly out, Miss Oppens pressed forward, smoothing out an interpretation which needed more light and shade.

In Schumann's *Davidsbundlertanze* she unfailingly crystallised the mood of each miniature and cleanly negotiated all the technical pitfalls; many of the simplest, reflective pieces were most winningly delivered. But rubato was rationed to a bare subsistence level and wit kept purely cerebral. It was predictable too that Liszt's *Nuages Gris*, beautifully poised in its coolness, should fare much better than the first *Mephisto Waltz*, whose physical exuberance one might have expected Miss Oppens to avoid.

Carter intended that in *Night Fantasies* each of the four interpreters should find something attuned to his or her own musical sensibility. Charles Rosen's muscular, unmannered reading has geen available on record for some time and it *was fascinating to compare* that with Miss Oppens, who introduced the work at Bath in 1980. Where Rosen emphasises the pianistic qualities, its extensions of the vocabulary of the 19th-century instrument, Oppens seems more concerned with its changes of mood, the fleeting impressions that are submerged and resurface in dazzling emotional complexity. She offers, in a way, asofter option than Rosen; her account is more approachable, though no less technically accomplished

★

A belated and brief note on the visit of the Vienna Symphony Orchestra to the Festival Hall last Wednesday for a Royal Philharmonic Society concert. Under Nikolaus Harnoncourt it proved to be a vigorous, eager ensemble, keen of attack and unusually transparently textured, with elegant, unaggressive woodwind and finely tempered brass. The orhcestra's accounts of Schubert (music from *Rosamunde*) and Beethoven (the second symphony) were perhaps inevitably overshadowed by the appearnce of Dietrich Fischer-Dieskau in four concert arias by Mozart, each brought to vivid dramtic life. *Rivolgete a lui lo sguardo*, originally intended for Guglielmo in *Così fan tutte*, was the most memorable: it inspired singing and acting of enormous effectiveness, which seemed to deny any impression of a great singer nearing the end of his career.

## Knussen, Muldowney/SouthBank

**Max Loppert**

The first concert of the London Sinfonietta season, at the Elizabeth Hall on Thursday, was a typically imaginative pairing of Dallapiccola and Oliver Knussen — small pieces by the "modern master" and the young master complementing each other gracefully. It was to have been conducted by Knussen himself; but owing to the necessity of his attendance upon the (apparently somewhat fraught) birth process of the forthcoming *Higglety, Pigglety, Pop* at Glyndebourne, John Carewe stepped in instead, as confidently and authoritatively as one expected he would.

There were no strictly new Knussen works on the bill; the nearest thing to one, the *Hums and Songs of Winnie-the-Pooh*, in fact a 1983 reworking of a 1970 original. It is one of Knussen's most delightful inspirations, a kind of song-cycle-that-isn't of Pooh phrases, only a few of them actually verbal. These are studded into a tripartite structure, suite-like, which allows the voice part (well delivered, without self-conscious whimsy, by Elisabeth Harrison) to float to the surface and then fade like the memories of childhood which the composer's programme note allows them to be.

Knussen's evocations of childhood, tender and briskly, unsentimentally, humorous, distinguish him among the younder British composers even more than the very evident mastery of his craft. Other aspects of that mastery were represented by the deliciously sure-footed Three Little Fantasies for wind quintet, which show a Chabrier-like gift for the harmonic surprise which is instantly *ben trovato;* and, less certainly, by the 1976 Apollinaire setting, *Océan de terre*, a play-of-waves piece of a well-made but rather indeterminate sort. Its soprano, Teresa Cahill, was sometimes unable to penetrate the weight of scoring; Miss Cahill was heard to far better effect in the closing account, beautifully fresh, of Dallapiccola's three sets of Greek lyrics.

On Friday, in the BBC Symphony concert at the Festival Hall, it was the turn of Dominic Muldowney, another of the younger generation's most capable and distinct-profiled composers. His Piano Concerto —played here a second time, as at the 1983 Prom première, with all his wonted brilliance and facility, by Peter Donohoe —is an interesting, unsatisfying fulfilment of a fascinating idea. Muldowney has revived the notion, and for much of its length the sound-world, of a *Les Six* concerto—fragments of jazz-tinted or dance-rhythm inflected material colour its half-hour course (the figuration of the piano rag is used almost as though it were an Alberti-bass pattern in a Classical concerto).

The shape of the piece is determined by the concatenation of its tiny "closed" forms; by the end, one is left in doubt that the "period" flavour, sharply summoned in the scor*ing (with particular prominence* given to the saxophone), has been at once relished and set in quizzical quotation marks. But the proportions of the concerto are homehow ill-balanced; long stretches of middle ground seem to be no more than a desultory flicking-past of episodic additions. This Piano Concerto whets the appetite for another from the same pen, in which the lessons of the first have been learnt and the bite, piquancy, and wit retained. A brief word for Mark Elder's conducting, radiantly expansive, of Rakhmaninov's *The Bells* after the interval; and for the choice of two of the solo singers, uncommonly lively by BBC casting standards—Nelly Miricioiu and Yury Mazurok, both at home in the idiom in the way English singers, for all their other virtues) seldom can be.

## Tea in a China Cup/Riverside

**Martin Hoyle**

Christina Reid's prize-winning play on the life of a Belfast Protestant family between 1939 and 1972 is no more about the troubles than about a fiercely proud working-class keeping up appearances, womenfolk seeing their men off to war, laying out the dead of the last generation while aspiring to better things for the next, and the obsessive domestic trappings that limit the women's horizons. Three-quarters of the way through, violence erupts off-stage (including the loudest bang heard in Hammersmith for years); by which time it is perfectly set in the context of the gritty life-style of a part of the UK to many of us, shamefully, more foreign than Middle America.

Gentle and affectionate as a family saga, Beth's £ashback recollections — and hearsay, since the story begins before she was born—build a mosaic of painstaking minutiae: the necessity of booking your grave in the right part of a segregated cemetery; the importance of "a proper sit-down tea" to a respectable funeral; the symbolism of bone china and fine linen, cherished unused by even the poorest families; the myths perpetuated about one another by Protestants and Papists.

The newly-formed Sphinx, a women's collective, gives its first performance under the auhtor's direction. The repetitive pattern of history is discerned. Sammy departs to fight for king and country in 1939. 20 years later his nephew, another Sammy, leaves for Germany with the British army. The women's reactions, down to the mother's sandwiches and the aunt's tip, are identical on both occasions. The trap posed by continuity is revealed when Bth's mother refuses to abandon her threatened home at the heoght of sectarian violence. 'I almost wis hthey'd burn thies house," her daughter exclaims bitterly; "then you'd have to leave— you'd have no choice."

The production slides uncomfortably towards hte contrived *as the mother stubbornly remi*nisces on the family home while shots and shouts reosund from the burning street; and the writing has little new tosay when pointing out the emptiness of these women's lives without the artificial values of domestic fetishes.

Ms Reid's kindly clear-eyed detachment is at its best with individual relationships. Beth, the narrator, acted with Caroline Embling's warmth and integrity, convinces in her loyal, bemused friendship with Catholic Theresa. The latter, played with cheerful wryness by Theresa Boden, makes an envied break for freedom to a poky flat in London and a drudging job as an unmarried mother.

As yet the cating hits no consistent style, happier with the small-scale and observant than with the jocular staginess of Aunt Maisie and the Grandmother. The production's straightforward simplicity is especially telling at the death of Beth's mother from cancer: she *just walks off and leaves her* bereaved daughter to smooth the cushions on an empty settee.

# Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

### Music

Oct 12–18

**LONDON**

**Philharmonia Orchestra** conducted by Giuseppe Sinopoli with Julia Varady, soprano. Elgar, Strauss and Schumann. Royal Festival Hall (Thur).

**London Sinfonietta** conducted by David Atherton and Harrison Birtwistle with Penelope Walmsley-Clark, soprano. Birtwistle. Queen Elizabeth Hall (Thur).

**PARIS**

**Via Nova Quatuor** (Tue) Saint-Severin Church (8339731).

**Orchestre de Paris** conducted by Daniel Barenboim with Lucia Valentini-Terrani, mezzo-soprano; Nicolai Gedda, tenor; Ruggiero Raimondi, bass with Orchestre de Paris Choir conducted by Arthur Oldham: Berlioz-La Damnation de Faust (Wed). Salle Pleyel (5630796)

**Orchestre National de France** conducted by Emmanuel Krivine, Regis Pasquier, violin, Tasso Adamopoulos, alto: Mozart, Schubert (Thur) Théâtre des Champs Elysées (7234777)

**NEW YORK**

**Philadelphia Orchestra** (Carnegie): Riccardo Muti conducting, sopranos Arleen Auger and Margaret Marshall, mezzo Agnes Baltsa. All-Gluck programme (Tue). (2477459)

**Musica Sacra** (Alice Tully): Richard Westenburg conducting, sopranos Janice Dixon and Dawn Upshaw; mezzo Janice Taylor; tenor Constantine Cassolas; basses Kevin Deas and Bruce Kremer. All-Handel programme. Lincoln Center (3621911)

**TOKYO**

**Tokyo Symphony Orchestra**, conductor Shinji Toyama, piano Michele Campanella. Mozart, Liszt, Wagner. Tokyo Bunka Kaikan (Tue) (237-9990).

**[illegible]**, Flute. Bach, Bozza, Schubert, Debussy. Ishibashi Memorial Hall (Tue) (263-4338).

**The King's Singers:** Music from Elizabethan England and the English Church. Showa Women's College, Hitomi Memorial Hall (Wed) (403-6611).

**Yomiuri Symphony Orchestra**, conducted by Jan Krenz, with Kiyomitsu Obana, violin. All-Tchaikovsky programme. Kosei Nenkin Hall. (Thur) (270-6191).

**NETHERLANDS**

**The Hague**, Congresgebouw. Netherlands Chamber Orchestra conducted by Lev Markiz, with Olga Martinova (violin), Roberta Alexander (soprano) and Robert Holl (bass). Mozart, Haydn and Shostakovich (Mon) (546800).

**Rotterdam**, De Doelen. Rotterdam Philharmonic conducted by Simon Rattle, with Ronald Brautigam (piano) and vocalists. Debussy, Mozart and Ravel (Thur) (142911).

**VIENNA**

**Vienna Philharmonic Orchestra** conducted by Waldemar Nelsson with Elisabeth Leonskaya, piano. Beethoven and Brahms. Musikverein (Wed and Thur). (658190).

**Vienna Chamber Orchestra** conducted by Felix Carrasco Cordova with Slobodan Flo, violin; Karin Mikowitsche, flute; Ingeborg Baldaszti, piano. Franck, Haydn, Martin and Mozart. Konzerthaus (Thur). (721211).

**Lieder** with Kurt Equiluz, tenor, and Charles Spencer, piano, Schubert at Schubert's birthplace, 54 Nussdorferstrasse (Thur).

**WASHINGTON**

**Dorian Wind Quintet** (Terrace): Bach, Bennett, Carter, Beethoven (Tue). Kennedy Center (2549895).

**ZURICH**

**Tonhalle:** Tonhalle Orchestra. Schöberg, Haydn, Boccherini and Borodin (Wed); Piano recital, Schumann, Schubert, Mozart and Ravel (Thur).

**CHICAGO**

**Chicago Symphony** (Orchestra Hall): Claudio Abbado conducting. Cecile Licad, piano. Schumann, Schubert (Thur). (4358122).

**ITALY**

**Milan:** Teatro alla Scala (concert season): Beethoven with violinist Uto Ughi and pianist Boris Bloch. Also Scriabin. (Wed and Thur). (80.91.26).

**WEST GERMANY**

**Berlin Philharmonie:** Leipzig Gewandhaus Orchestra conducted by Kurt Masur. Mendelssohn, Georg Katzer and Beethoven (Mon).

## Johnny Strikes Up/Opera North, Leeds

**Andrew Clements**

The most successful opera of the 1920s has taken nearly 60 years to reach the British stage. Opera North's production of Ernst Krenek's *Johnny Strikes Up*, at the Grand Theatre in Leeds, is surprisingly the first to be seen in this country; conducted by David Lloyd-Jones and directed by Anthony Besch it is a joint venture between Opera North and the New Opera Company. There is a further performance in Leeds tonight, and it then visits Manchester, Nottingham and Newcastle before coming to London for three dates at Sadler's Wells in mid-November.

Even the most superficial history of 20th-century music would find a line to mention Krenek and his opera, for few works at the time (*Johnny* had its premiere in Leipzig in February 1927) encapsulated the spirit of the 1920s more completely, and attempted to weld its contradictory worlds into a single scenario. The "jazz opera" as it was dubbed was more than just a conventional opera with jazz introduced as an alien element; though the music of America is used throughout the opera as a symbol of the new order, it ranges beyond jazz into song-and-dance and honest musical comedy.

The mixture now seems dated certainly; the shock of confronting such popular elements in the context of a "serious" opera no longer disturbs us, and there is a tawdry predictability which begins to pall before the last of the nine scenes. Krenek's own idiom too is unmemorable, a watered down synthesis of Berg and Schrecker without any rhythmic interest and very few authentic melodies. The scenario and its characters — the tired, outmoded composer Max, his opera-singer lover Anita, the jazz-band leader Johnny and the violin virtuoso Daniello — are thinly drawn but just about sustain themselves; there is also ample scope for a producer and designer to make a visually attractive show.

There's no doubt Opera North has managed to do this, and come up with an evening that is unfailingly enjoyable. Yet the opera is interesting on a documentary level also: Krenek's invention may not have been of the highest quality, but he was a perceptive observer of contemporary mores and artistic fashions and he succeeded in bringing them all together in an attractive package. Perhaps its main failing, dramatically and musically, is a lack of bite, a cutting edge to the satire; only knowledge of the Nazi hatred of *Johnny Strikes Up* after its premiere adds a political undertow to the plot, which otherwise treats its subject genially and superficially.

In this production Besch exploits the soft centre as the *final curtain falls*: as the chorus goes through its final number, a house painter descends a ladder from the flies; when he reaches the bottom he turns towards the audience as Adolf Hitler, giving a Nazi salute. It is a neat, sharp dramatic coup in an approach which handles the mixture of seriousness and farce skilfully, generally resisting the temptation to go over the top.

John Stoddart's designs make a great deal out of a few sliding, tilting panels and some imaginative projections; in an opera which calls for a train and a motor car on stage he manages to create a satisfying series of scene changes without too obviously counting every penny. Vocally things are more uneven: there is an engaging well-timed Johnny from Jonathan Sprague, a pert Yvonne, the chamber maid, from Gillian Sullivan. As Anita and Max respectively Penelope Mackay and Kenneth Woollam have the most difficult tasks; neither character is fully three-dimensional and the vocal demands are sometimes extreme. They managed creditably, though not without some moments of strain in Tuesday's performance.

The real stars are however the dancers and chorus.

## Theodora/Elizabeth Hall

**Max Loppert**

*Theodora*, Handel's penultimate English oratorio, and the only one on a Christian subject, was on Wednesday the object of an English Bach Festival concert, given by the EBF Baroque Orchestra and small choir under Charles Farncombe. When the work is performed with that ideal combination, not easy to achieve, of weight, energy, and steadiness that it requires, it can seem one of Handel's noblest creations, Gluckian-before-Gluck in the *bella simplicità* of its musical cut and substance and in the moral force of its treatment. When it is less well done—as, alas, it was here—it becomes rather longwinded, rather dull.

It should be stressed that the faults were less those of execution—for the performance had evidently been carefully prepared—than of style. In a word, it was lightweight. One complains not about the authentic dispositon of forces but about the fact that the instrumental playing was often rough and il-formed, and that Farncombe's rhythmic tread was either rushed, or insufficiently accented, or just plain graceless (the heroine's beautiful Act 2 *siciliana* aria slipped by almost without note). The movements failed to build up; and an immediate result of that failure was the temptation persistently offered to notice the amount of starchiness in the tone of Morell's libretto.

Of the solo singing, all of it without exception neatly and competently presented, much the same has to be said. No one, apart from the very promising, if artistically not wholly mature countertenor Michael Chance as Didymus, appeared to have given much thought to the specific demands of delivering recitative; Catherine Denley's Irene was a particular offender in this respect. In the title role Lynda Russell sang with her usual bright, light, clear tone;

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# The aftermath of Brighton

pause for thought. Except for the victims of the bomb attack in Brighton, their friends and relatives and those involved in clearing up the debris, life has returned more or less to normal and even the sun has been shining.

Yet it is worth reflecting again on what happened. In one sense there is the relief that more people were not killed: half the Cabinet could have been murdered, as well as many other people who have nothing to do with politics. In another sense there is the awareness that the bombers got through in the first place. A generation is growing up which has come to take such atrocities as a part of a way of life, whether the bomb is at Harrods, in Regent's Park, or at the Conservative Party Conference. It did not use to be like that; nor need it be now.

Two thoughts arise, one general and one particular. The general thought concerns Mrs Thatcher's administration, its style and its substance. She is an outstanding Prime Minister and never more so than when she spoke at Brighton last Friday. She has won elections against the odds and pursued her chosen course with courage, determination and a great deal of political skill. Yet there was a suspicion, long before the party conference last week, that what was happening under her leadership was the emergence of two Britains: one comfortable and relatively prosperous, the other depressed, possibly disadvantaged and quite likely unemployed.

### New understanding

Mrs Thatcher has sensed this herself. Even allowing for the very special circumstances, her speech at Brighton showed a new understanding of those whose lot has not improved in the last five years. She paraded some of the Government's public spending programmes as a virtue. She defended the National Health Service and she spoke of compassion. What is more, she revealed her awareness of the complex regional mix that makes up this country. She had been to Liverpool before the conference began. She referred to York and Wrexham, and could easily have thrown in Sunderland and Hartlepool as well. What is happening in all those places is quite as important as the national economic indicators. Mrs Thatcher is not just the Prime Minister of the golden square mile.

That public change in style was welcome. Yet it is a measure of this Government's problem that not everyone in the country will find it easy to believe. However unfairly, Mrs Thatcher has to live down a reputation of being less than totally caring about the poor, the minorities and those out of work.

It is not a matter of changing direction. Indeed, the Government already has quite significant achievements behind it, and not only in reducing inflation. Unemployment is the one major blemish where it needs to be able to show that there is some hope of relief. It is a question of explaining all to the nation and taking the people with you.

Where there are intractable problems — such as the coal dispute — it is necessary to isolate them and expose Mr Arthur Scargill, the miners' president, for the intransigent that he is. That is easier to do if you can show that you are compassionate on other issues and demonstrate, time and again, that a more than generous offer to the miners is lying on the table.

The theme of Mrs Thatcher's government in future should be that we are all going in the same direction, even if at different speeds. Too often in the past it has seemed that one section of the population has been going forwards while another has been going backwards. Brighton may have marked a realisation of that at the highest level.

The particular thought after the bombing, however, concerns Ireland. It was the Provisional IRA which claimed responsibility forthe attack, as it and its noxious offshoots have done for countless others. The lesson is clear: the Irish question is a piece of unfinished business which should be placed at the top of the Government's agenda. The bombers and the gunmen are a menace to civilised life in Britain and a threat to the security and stability of the Irish Republic. Yet never were the circumstances more ripe for a concerted search for a settlement. The Irish Government is ready and able, the British Government has been warned of the perils of sticking to the status quo and the bulk of opinion in both islands must now be behind them. Failure to act would be unforgivable.

# Lome in the doldrums

THE DEADLOCK in the negotiations between the EEC and its 64 associated African, Caribbean and Pacific countries on a new five year Lome trade and aid pact has been caused only partly by disagreements over the amount of financial aid. Certainly, the total amount of Ecu 8bn (£4.7bn) offered by the Community after many months of tough discussions between the member states was considered to be inadequate by both the ACP states and France, which has a special interest in helping its former colonies in Africa. The ACP countries complain that the increase over the amount of aid in the current Lome pact is barely sufficient to compensate for inflation during the period covered.

Arguments over the amount of aid, however, merely mask much more fundamental disagreements over the whole nature of the arrangement, which has hardly lived up to the high hopes expressed at the time of the conclusion of the first Lome Convention in 1975. At the time, it was seen as a unique partnership between equals which, for the first time linked a group of industrial and developing countries in a contractual relationship with joint institutions.

In practice, the EEC has remained very much the dominant partner largely because of the growing gap in wealth between the industrialised and developing countries adhering to the pact. The Lome countries' share in EEC imports has actually fallen since the first convention came into effect in 1975 from 7 per cent of the total to 5.5 per cent in 1982. Even calculated as a percentage of the Community's imports from less developed countries only, the ACP's share has dropped from 15.7 to 13.8 per cent during the same period.

### Safeguard

This disappointing trend has occurred in spite of the fact that the Community grants duty-free access to its markets for something like 98 per cent of ACP exports. The reason for the Lome pact's failure either to produce any significant growth or diversification of ACP exports to the EEC is to be found in its other provisions, such as its safeguard clause and rules of origin which are a much more effective barrier to trade than customs duties.

Though the safeguard clause has not been applied in practice to restrict access to the Community's market, its very existence has persuaded ACP countries to impose voluntary restraints on exports of some sensitive manufactured goods, such as textiles and clothing.

In the case of agricultural products, which make up the bulk of the associated countries' exports, quantitative controls and the Community's price mechanisms have provided the main obstacles to trade.

Strict quotas have been imposed by the EEC on the associated states' beef exports and their sugar exports have suffered badly because they have to compete on the world market against subsidised surplus EEC sugar. These failures in the area of trade have been compounded by others in the field of aid utilisation. Too often, Community funds have been used for prestige projects — what M Edgard Pisani, the EEC development commissioner describes as "building cathedrals in the desert" — rather than for schemes which would improve the productive capacity of the country concerned.

The attempt by countries like Britain, West Germany and Holland to switch the emphasis in the third Lome Convention from financial aid to the provision of better access for ACP products in the Community's markets was therefore entirely justified.

By arguing in favour of increased financial aid, while keeping in place the trade restrictions of the previous Lome Convention, France and Italy are tending to perpetuate a post-colonial relationship which does little to increase the economic viability of the ACP countries. Unfortunately, the deadlock reached in Brussels offer little prospect of much progress in this direction. But there are at least some signs that the ACP countries may be persuaded to accept a limited degree of conditionality to Community aid.

The "policy dialogue" first proposed by M Pisani, if sensitively conducted, need not lead to any unwarranted interference in the sovereign affairs of the ACP countries. It is, after all, only natural that the EEC states, which have seen much of their aid squandered in the past, should make sure in the future that it is put to good use.

PRICE WATERHOUSE AND DELOITTES

# Bigger still and bigger

By Alison Hogan


AN OFFICIAL silence has descended on the offices of Price Waterhouse and Deloitte, Haskins and Sells since their surprise announcement, last month, that the two firms of chartered accountants plan to combine their practices to form the largest accountancy firm in the world with a $2bn fee income, over 4,000 partners and offices in around 100 countries.

While their partners assure clients that it is "business as usual," executives are thrashing out the complex details of the merger and putting flesh on the bare bones of the deal agreed by the policy committees of the two firms.

The prospectus, when completed, will need to contain some persuasive arguments for disrupting successful, profitable, well-run practices to enhance services already rated highly by many of those who use them. The partners are under strong pressure to be loyal to their two firms and support the merger decisions of the elected executive. Nevertheless, a widespread revolt is a possibility when the vote takes place before the end of the year.

The merger has raised wider questions about the direction in which the accounting profession is going. The sheer size and range of services of the largest firms—and in particular the expansion of non-audit consultancy work—have prompted regulatory authorities to question whether the firms can sustain the independence and objectivity essential to their role as auditors of the world's most significant industrial corporations, financial conglomerates and public bodies.

In the U.S. Congressional hearings were scheduled some time ago for two days in December. The sub-committee on oversight and investigations, chaired by Representative John Dingell, will launch its own inquiry into the accountancy profession, its self-regulation and the role of the Securities and Exchange Commission in monitoring the profession.

"The timing of the merger announcement is rather unfortunate," concedes the senior partner of another Big Eight firm.

The U.S. investigation promises to be thorough and uncomfortable for the accounting firms. "They are the umpires in business, but we know less about them than we do the players," says Mr Jack Chesson, counsel for the subcommittee. "Management consultancy firms say to us that it is unfair that the auditor gets in to talk to top management and then gets to do the consultancy work too."

The Office of Fair Trading in the UK and the Federal Trade Commission in the U.S. are investigating the P. W. Deloittes merger for any monopoly or anti-trust objections. Eager to quell criticisms and get the regulatory authorities' blessing, senior partners are prepared to break their silence to defend the size of the combined practices and allay fears that if the Big Eight merged competition would be severely restricted.

Mr Jeffrey Bowman and Mr Eric Meade, senior partners of PW and Deloittes in the UK, argue that in the field of audit the top 200 industrial companies in Britain between them use 24 different firms and that "there are many more firms capable of providing independent advice to major organisations in complex situations."

As for management consultancy services, a fast growing side of their practice, the senior partners say their clients have a much wider choice than just the accounting profession. There is intense competition from other consulting firms, banks and financial institutions.

"To suggest that this merger could lead to a monopoly situation and reduce the availablitiy of independent advice is therefore wide of the mark," they concluded in a recent letter to the Financial Times.

The other Big Eight firms were not entirely surprised at the news of a merger within their ranks. "However this combination was on few people's list," says a senior accountant.

Deloitte's name had been linked with two or three firms: Price Waterhouse already in the top half of the Big Eight, was the dark horse. A masive merger like this seemed at first sight an over-reaction even in an increasingly aggressive and competitive market place.

PW has always assumed a rather aloof style, strongly traditional with a blue chip client list which includes Exxon and IBM in the U.S. and ICI and Unilever in the UK. It has not taken over many large firms though some smaller practices have been absorbed to strengthen its geographical coverage. The merger with the consulting firm Urwick Orr earlier this year was a more typical move which strengthens the firm's presence in some industrial sectors without much internal disruption or blurring of corporate identity. It is discreet enough to survive almost as a "cell" within the larger group.

PW's decision has galvanised its competitors into an urgent review of their own strategies and forecasts. Their U.S. headquarters have wasted no time in drawing up profiles of the combined PW-Deloittes practice and its possible impact on the market-place. Most of them expect at least one more super firm to emerge though all have carefully assessed the option and are aware of its drawbacks.

Mr Peter Scanlan, chairman of Coopers and Lybrand U.S., is sceptical about how quickly newly merged firms will be able to rationalise their administrative structures to take full advantages of economies of scale.

The problems of harmonising two partnership structures range all the way from conflicting personalities to different profits systems. Indeed the difficulties of welding together two different cultures persuaded Arthur Young International, with over 17,000 staff, to reject the idea of a worldwide merger for the present.

"Ours is more the culture of a law firm, oriented towards the individual partner," says Mr William Kanega, its chairman. "We feared the feeling of partnership would be lost."

Arthur Young's strategy is to focus extra resources on key services rather than lose momentum by diverting talent and time into sorting out a merger. "We may not be as growth oriented as some firms but are of a size to handle any client, domestic or international," says Mr Kanega.

In niches of the market place such as oil and banking, firms have to be of a certain size, he says. The key question facing them is which niches to fill and whether they have enough resources to service clients in those areas adequately. 'Actuarial work is one area where some firms offer a service but we have decided not to," says Mr Kanega. Executive recruitment is customer service which only some of the firms offer.

Arthur Andersen, currently the largest firm in the world by fee income (it earned $10.5m for its partial audit of ITT alone last year) has shown a more consistent, aggressive strategy for growth than most, in part because its consultancy side has for a long time contributed a major part of fees and tended to determine overall policy.

PW and Deloittes both have strong audit client lists, but have been slower than some to build up their management consultancy services, particularly in the U.S. where their non-audit work amounted to only 11 and 15 per cent respectively of total fee income last year, compared with Arthur Anderson's 48 per cent.

The senior partners of the two U.S. firms began their merger talks in the spring. As part of their unique process of self regulation, the U.S. firms undertake periodic peer reviews of each other's accounts and management systems. Deloittes looked at PW a few years ago and was due to report on it again this summer. The detailed exchange of information revealed sufficient similarities to make the prospect of a merger a serious topic for discussion.

It would have been virtually impossible to consider combining the two U.S. practices without a worldwide merger of the two firms, although each national partnership is an independent profit centre, sharing costs only for common services worldwide. The Big Eight firms are bonded internationally by their transnational work for multinational clients, and by comon audit techniques and methodologies. A national partnership might see its fee income slashed if it refused to stay with the combined firm, particularly if the other partnership in that country went ahead with the merger and so picked up the referral work of the combined practices.

The U.S. partnerships are undoubtedly strong within the international firms of PW and Deloitte, but they cannot dictate terms and if, for example, the UK partnerships veto the merger proposal then it is likely last year.

Deloitte and PW are well placed within their national market in the UK, holding third and fourth place respectively. They are evenly matched on fee income with only £1m difference (Deloittes, the larger, has £69.8m). PW earns more fees per partner, however, with £332,400 compared to Deloittes' £268,500. Though the UK partnerships would probably not haev initiated the talks, they cn see the need to build a worldwide strategy for the 1990s.

Touche Ross has as clear an idea as any of the Big Eight of the kind of response that the international firms need to make clients in fast-growing sectors including banking and finance, telecommunications and energy-related industries.

PW Deloittes combined would have a strong range of industry special groupings and geographically would strengthen its position in the fast-developing markets of the Pacific, South-East Asia and the Middle East. In Japan, for example, Deloittes already has a link with Sho Iino, one of the country's largest audit corporations. PW tied up in August with Shinko Audit Corporation, having established another corporation, Aoyama, last year.

The task of merging each pair of offices in every location is a formidable one but over the next few years the firm will almost certainly take the opportunity of streamlining operations and developing fewer but much larger regional offices.

Most of the Big Eight are moving towards full computerisation of their audit processes. Peat Marwick Mitchell has probably moved furthest down the road towards using a microcomputer on virtually every client engagement.

Price Waterhouse is conducting pilot studies in some of its offices. If the exercise is extended to both firms and eventually to most regional practices then the savings in increased productivity and efficiency should be significant.

Such savings are increasingly important as audit clients become more discriminating about fees charged. The Big Eight are in a stronger position than smaller firms to take some loss-leading audit work in the hope of gaining more profitable consultancy work later. The bigger the job, the more clients value depth and quality of work.

As the jobs have got bigger, so have the firms. Senior partners at PW and Deloittes are convinced that virtually doubling their size is the right response for the needs of their clients in the 1990s.

Mr Michael Coates, chairman of Price Waterhouse International, and Mr Charles G. Steele, chairman of Deloittes, who will head the new firm formed the nucleus of a small group of partners who now have to convince PW's remaining 1,850 partners and Deloittes' 2,284 partners that they are right. Even if they succeed and the merger goes ahead, the real battle will only just have begun.

## THE WORLD'S TOP ACCOUNTING FIRMS

1983 revenues

| WORLDWIDE | $m | U.S. | $m | UK | £m |
|---|---|---|---|---|---|
| Arthur Andersen | 1,238 | Arthur Andersen | 909 | Peat Marwick | 74.3 |
| Peat Marwick | 1,230 | Peat Marwick | 810 | Coopers & Lybrand | 72.5 |
| Coopers & Lybrand | 1,100 | Coopers & Lybrand | 644 | Deloitte Haskins & Sells | 69.8 |
| Price Waterhouse | 1,013 | Ernst & Whinney | 638 | Price Waterhouse | 68.8 |
| Arthur Young | 1,003 | Price Waterhouse | 493 | Ernst & Whinney | 56.0 |
| Ernst & Whinney | 972 | Arthur Young | 438 | Arthur Young McClelland Moores | 54.0 |
| Deloitte, Haskins & Sells | 940 | Deloitte, Haskins & Sells | 430 | Touche Ross | 52.0 |
| K.M.G. Main Hurdman | 900 | Touche Ross | 380 | Thornton Baker | 45.0 |
| Touche Ross | 845 | | | Arthur Andersen | 41.0 |
| | | | | Thomson McLintock | 35.2 |

Sources: Public Accounting Report/FT

# Men and Matters

## Images Chinese style

China has taken the ultimate step in opening itself up to the west—the authorities have granted permission for a PR firm to set up in Peking. Hill and Knowlton, the public relations subsidiary of the advertising agency J. Walter Thompson, starts business in its new Peking hq today.

The office is being run by Ronald Cromie, a Canadian who previously advised Hill and Knowlton's clients about China from the view-point of a China-watcher's post in Hong Kong. His first task has been to recruit a local public relations man—there are one or two who have been trained in Hong Kong.

In the early days Cromie will be working for foreign companies anxious to forge personal links with Chinese officials. He will also be placing articles in the Chinese press. They like a western press release of a technical nature and can usually be trusted to run it complete—a welcome change for the PR operatives from the rough trade of London and New York.

Cromie's pioneering will also include managing a monitoring service, culled from the Chinese press, of industrial plans in China.

If much of his programme sounds like a hard grind there is at least one aspect of PR Peking style which has a familiar ring to it.

The Chinese like to sign and seal business with a banquet. So the restaurant at the Jinglun Hotel, where the western PR office is based, can expect to do better business from now on.

"Tell Mr Scargill that American Express will do nicely"

## All the talents

As stereotypes go, the picture of the average City merchant banker as a pin-striped product of public school and Oxbridge is not far from the mark.

The banks themselves are anxious to dispel the notion as out-dated, and to emphasise instead the broad range of talents and backgrounds upon which they say they draw to meet the challenge of a changing City.

This week a new generation of fledgling merchant bankers makes its debut at the Barbican Centre. The Accepting Houses Committee—the 16-strong association of top merchant banks—is welcoming its graduate recruits with a week long training course.

The attendance list makes intriguing reading.

Of the 119 graduates, 67 sport a degree from Oxford or Cambridge. And 88 of them are men.

The break-down shows that merchant banks still know what they like—and like what (and whom) they know. Charterhouse Japhet shows the strongest Oxbridge bias with four graduates from thetwo seats of learning out of their total of five. But the bank has cunningly avoided a reference to the Equal Opportunities Commission by recruiting a preponderance of women.

The banks show one concession to changing time. This year they have been recruiting across a very broad range of academic disciplines.

Baring Brothers has recruited the only theologian in the City list for the year. Morgan Grenfell boasts a sinologist from Peking university.

The list may also give some clues to the leading merchant banks of the middle-distance future.

Morgan Grenfell heads the recruiting drive with 22 new graduates, just ahead of Samuel Montagu's 19.

Hambros — which is sponsoring this year's course — offers only one representative.

## Cold passion

Iceland's unusual finance minister, Albert Gudmundsson, is arousing strong passions among the island's 240,000 inhabitants—who for two weeks have been suffering the effects of an all-out strike by public sector workers.

Once a professional footballer who played for top European clubs, he has followed a successful business career in wholesaling by emerging as Iceland's leading populist politician. He topped the pool in Reykjavik in last year's election, and took over as finance minister in the new centre-right coalition government.

In his latest playing role the burly, cigar-smoking minister has been thrust into the spotlight as leader of talks with the strikers. More than 11,000 civil servants and local authority employees have stopped work, closing schools, state radio and television, the post office, the buses and—worst of all—the island's state-run liquor stores.

Gudmundsson hardly helped the already strained atmosphere by refusing to pay the workers their October salaries in advance (the usual practice) on the grounds they had warned they would strike.

"He's creating new communists every day," said the wife of one striking schoolmaster. The strikers want a 30 per cent rise. The government has offered 3 per cent.

Given the country's economic crisis a pay cut rather than a pay rise would be more in order, suggests Gudmundsson in his usual robust style.

Gudmundsson was in the public eye earlier this year when he nearly went to gaol over his dog. Reykjavik has an old bye-law forbidding dogs.

He paid his fine but not before he had warned he would leave Iceland rather than lose his dog. Fan-mail streamed in from dog lovers al lover the world.

## Preferred shares

The U.S. new issues market has been slow this year. But one new "stock" is expected to be a sellout. An offer of 20m shares in Great American Brothels will go on sale this week in gift shops, bars, hotels, and casinos.

Shareholders will have no voting rights, no revenue sharing rights, and no dissolution rights. The best they can hape for is that their $10 investment might provide a laugh.

"Its a spoof," says chairman Archibald Spray, a Las Vegas securities analyst, who specialises in the gambling industry.

Punters will get a package that includes one preferred share in the company, a bumper sticker, a membership card, a report to shareholders, a map of all 37 Nevada brothels (legal businesses in that state), and an "adopt a working girl" application form.

**Observer**

FOREIGN AFFAIRS

# Tangles of a twin-track gambit

By Ian Davidson

IF YOU BELIEVE that Ronald Reagan has a fair chance of being re-elected to a second presidential term next month, you might be interested in a behind-the-scenes glimpse of the way his first Administration has worked. And if you believe that nuclear arms control issues are likely to remain high on Washington's foreign policy agenda, you might be interested to know what went wrong with the ill-fated Euromissile and Strategic Arms Reduction (Start) negotiations in Geneva, and why. Either way, you could do a lot worse than read Strobe Talbott's forthcoming book Deadly Gambits.

Readers of Time magazine will be familiar with Talbott's eloquent and authoritative week-by-week reporting of the Euromissile and Start negotiations, and this volume on the same subject looks like being able to claim a place on the bookshelf next to John Newhouse's arms control narrative Cold Dawn. The big difference, of course, is that Newhouse told the tale of a successful negotiation, the 1967-1972 Salt I talks, whereas the Euromissile and Start negotiations never really got off the ground, even though they dragged on for two years and 18 months respectively.

This does not make the Talbott book any the less interesting. For the negotiations which occupy most of the space are not those which took place in Geneva between the Russians and the Americans, but those which went on interminably between different political lobbies in Washington. Not only does this give a racy picture of bureaucratic skulduggery in the Administration, it also provides an effective dramatic vehicle for Talbott to explain many of the arguments and issues related to nuclear weapons.

But Deadly Gambits is more than an entertainment or an education; it also constitutes a *scathing commentary on the* competence and coherence of President Reagan's first Administration, and it must raise worrying questions about the prospects for his second.

We know by now that President Reagan is only too capable of adopting and announcing a decision without understanding it; but it is surprising, to me at least, to learn that Mr George Shultz, the Secretary of State, has played almost no part at all in the arms control debate. In effect, there has been a policy vacuum at the centre of the political system, which has offered the maximum opportunities to the ambitions of two relatively young gladiators, Richard Burt at the State Department and Richard Perle at the Pentagon.

It is too easy to simplify the battles between them as Manichean struggles between light and darkness. It is true that Richard Perle is a hawk who sets little store by arms control, who mistrusts the Soviet Union's readiness to comply with agreements, and who believes strongly in the restoration of U.S. military power. It is also true that Richard Burt has more time for arms control and believes that a perfect outcome may have to be modified for the sake of negotiability. In short, they disagree fairly fundamentally. But many of the difficulties facing the formulation of effective arms control policies, though aggravated by the shortcomings of the Reagan bureaucracy, really derived from the circumstances of the time.

Take the Euromissile issue. President Reagan came to office four years ago committed to the proposition that the U.S. had become militarily vulnerable to the Soviet Union in strategic nuclear weapons and must rebuild its strength; moreover, the Salt II treaty on strategic nuclear weapons was *to remain in limbo.* But he was also committed, in quite a different sense, to the joint Nato decision taken 12 months earlier, to do something about the new Soviet SS20 missiles targetted on Europe. According to this "twin-track" decision, the U.S. must either negotiate away these Soviet SS20s, or else deploy matching missiles of its own in Europe.

Even at the time, the Nato *decision looked hopelessly well-*meaning and muddled. In order to leave plenty of time for the negotiating track, the Europeans ensured that deployment of the new U.S. missiles would not start until four years later, at the end of 1983. But it scarcely seemed plausible to suppose that the mere threat to deploy new Western weapons would persuade the Russians to remove their brand new *missiles: there was just no* negotiating leverage.

U.S. and Soviet negotiators Paul Nitze (left) and Yuli Kitsinki at the Geneva talks

Nevertheless, growing political pressure from Europe made it unavoidable that the U.S. would have to make a negotiating proposal sooner or later. The proposal, when it came in November 1981, for the banning of medium-range missiles on either side, was a victory for Richard Perle and the hardliners.

Thereafter the Washington end of the Euromissile negotiations was an unremitting struggle between hardliners who wanted to stick to the purity of the zero option, and those who wanted more flexible options. As the months passed, the hardliners gradually gave ground, but it made no difference to the negotiations in Geneva; for though the *Russians eventually started* offering cuts in the size of their SS20 force, on the essential point they were unyielding: they would not agree to a single new American missile. Since such an agreement would not be ratifiable in the U.S. Congress it was clear that the Russians were less interested in negotiating with the U.S. than in conducting a propaganda campaign in Europe.

In the case of Start, the battles between the two Richards followed a very similar course to those over Euromissiles, with the hardliners gradually giving ground under pressure from Congress. Once again, the opening U.S. position looked wonderfully peace-loving, but hopelessly maximalist: both sides would reduce their ballistic missile warheades by about one-third, leaving only half the permitted 5,000 on land-based missiles.

Since most of the Russian warheads were on land-based missiles, whereas most U.S. warheads were on submarine missiles—a fact which the President long remained blissfully ignorant — this plan would require much more radical restructuring of Soviet forces than American. In the background loomed the demand of *Mr Perle and the hardliners to* impose deep "throw-weight" cuts so as to get rid of the giant Soviet SS 18 missiles altogether. As it stood, the U.S. proposal was obviously unacceptable to the Russians, Russians, especially since the hardliners were determined to keep bombers and cruise missiles (a U.S. advantage) out of the negotiations.

Moreover, there was a large and growing gap between the U.S. arms procurement cycle and the evolution of strategic thinking in Washington, which multiplied the incoherence in arms control policy. On the one hand, the arms controllers were concluding that multi-warhead missiles, which had seemed so cost-effective 10 years earlier, were now dangerous, because the Russians had more of them; a presidential commission recommended going over to larger numbers of single-warhead missiles.

On the other hand, President Reagan was purporting to negotiate reductions in missile forces while at the same time building up or modernising America's own arsenal; but the only new U.S. missile nearing readiness was the MX, a large multi-warhead, land-based weapon. The Administration *was thus impaled on its own* domestic "twin-track": the Russian walk-out of the Start talks at the end of last year has jeopardised congressional support for the MX.

Before the walk-out, the splits and incoherence within the Administration had reached the point where the U.S. had three different proposals on the table in Geneva: a softened version of its starting offer, based on reduced warhead ceilings; a "build down" plan, by which the deployment of new weapons would lead to the retirement of a larger number of old weapons; and a new calculus for negotiating on asymmetries between different types of weapons.

Apart from the particular problem of the battles within the Reagan Administration, Talbott's account raises a number of structural questions about the arms control process. The first is that a "twin-track" deploy-and-negotiate posture is inherently vulnerable to domestic political stress; if deployment and arms control are mortgaged to each other, then both may fail.

On balance, it would seem that arms control negotiations may have a better chance of success if arms procurement is set on a course which is relatively steady and politically uncontentious. Whatever one may think of President Reagan's 'sincerity," it must be intrinsically difficult to reconcile a dramatic rearmament *programme with a dramatic arms* reduction proposal, not only in dealing with the Russians but also in handling the domestic political process.

Secondly, any large-scale reduction in nuclear weapons must depend both on a broadly-based domestic political consensus, and on considerable strategic agreement with the other side. There were good reasons for the kind of force-*restructuring aimed at in the* U.S. Start proposals, primarily the strengthening of mutual stability, but the deep cuts would have taken at least ten years to achieve and presumably the agreement would have had to remain in force for at least another five years.

It is not easy to see how that kind of long-term commitment can be plausibly undertaken by an Administration which is *deeply split on the merits of* any arms control, which is rethinking fundamental issues in its nuclear posture (such as multi-warhead missiles and Star Wars), which commands no consensus in Congress, and which has no strategic understanding with the Russians.

*Deadly Gambits, by Strobe Talbott. Knopf, New York.*

## Lombard

# Service break for Lawson

By Nicholas Colchester

"WE MUST not be seduced by the wonders of high-tech into overlooking the fact that many of the jobs of the future will be in labour-intensive service industries which are not so much low-tech as no-tech": Nigel Lawson, Chancellor of the Exchequer, at the IMF meeting.

"I reject the views of those who say that we should have as our purpose to become the great service industry economy. We will not achieve that if there is nothing to service": Mr Peter Walker, the Secretary of State for Energy, at the Conservative Party Conference.

These recent statements by British ministers suggest a tension within the Conservative Party over the proper nature and role of service industry jobs in the UK economy. Mr Walker's comment seems to me to be wider of the mark. It embodies the instinctive reservation many people have about the service industries—that they do not provide "real" jobs. For such people added value has to be tangible, like wheat or steel, or refrigerators. The musings of journalists or the concepts of advertising executives seem to them to be just so much foam on the industrial pint.

In the early 19th century people had the same reservations about industrial jobs in relation to agriculture. The idea that a large proportion of population should earn their livelihood making objects they could not eat seemed risky. It seemed to be pushing the economic boat a long way out, and taking continued trade, peace and prosperity too much for granted. Yet the boat was pushed out, inexorably, and Peter Walker does not lose much sleep over the fact that only 2 per cent of Britain's jobs are now in agriculture—indeed he probably wishes the French would get their numbers down.

The trend continues. The figures below from the latest copy of Population Trends show how the service sector now accounts for 53 per cent of UK employment, up from 46 per cent in 1971, while the proportion in manufacturing is now down to 27 per cent from 34 per cent. No "purpose" is involved here: it is a natural evolution. It may seem hard to justify an increase by more than one quarter of the number of people working in finance, but the fact is that the jobs are there and Government is not having to pay for them.

The breakdown of jobs at any moment requires only that three criteria be satisfied: that the values added per man-hour in agriculture, manufacturing and services are broadly equivalent; that the outputs of the three sectors meet demand (less imports, plus exports); and that the nation's current account is financeable. The point is that a proportion of the service output may well have to be tradeable—capable of being exported—if the nation of bankers and thinkers is to enjoy the motor cars it buys in from abroad.

This is where Nigel Lawson's reliance on "low-tech" service jobs could come undone. There may be domestic demand for butlers, boot-blacks, chauffeurs, nannies and gardeners but their output will not pay the UK's way in the world.

PERSONS EMPLOYED BY INDUSTRY DIVISION, 1971-81, UK

| | 1981 | | 1971 |
|---|---|---|---|
| Employment | Thousands | % | % |
| Finance | 1,800 | 8 | 6 |
| Other services (inc govt, police, fire, education, health, personal) | 5,970 | 26 | 22 |
| Distribution, hotel/catering, repairs | 4,400 | 19 | 18 |
| Construction | 1,610 | 7 | 7 |
| Transport | 1,500 | 7 | 7 |
| Energy | 710 | 3 | 3 |
| Agriculture | 510 | 2 | 3 |
| Manuf: other (inc food, drinks, clothes, wood and paper) | 2,140 | 11 | 13 |
| Manuf: metal goods, eng, vehicles | 2,840 | 12 | 16 |
| Manuf: metals, mineral prods, chem | 940 | 4 | 5 |

Source: Office of Population Censuses and Surveys

## Letters to the Editor

### Executive fringe benefits

*From Mr R. Greenhill*

Sir,—In the "Jobs Column" (October 1) Michael Dixon gave a succinct summary of the findings from recent surveys on the progress of executive fringe benefits" and highlights two benefits. These call for some aspects of so-called "fringe" comment both in respect of Michael Dixon's puzzlement about executive bonuses and Reward Regional Surveys observations on share option schemes.

Performance related bonus plans have undoubtedly been introduced during recent years in companies where no such incentive existed before. The fact that the number of executives actually receiving bonuses has not grown greatly might, I suggest, be indicative of the true nature of a performance related bonus plan; that is, bonuses will be received by individuals only if corporate or, perhaps personal performance is achieving the standards required of the plan. In these circumstances, and given that many companies are still not achieving the minimum required results, we might have to wait a few years before, hopefully, seeing the fruits of the new performance related bonus plans.

There is some connection between executive bonus plans and share option schemes. It is not necessarily the purpose of a share option scheme, or indeed any employee share scheme, to act as an immediate incentive o executives and other employees regarding the way in which they perform their individual related bonuses and other incentives may be more appropriate to achieve this end. Rather, the share scheme is concerned with developing positive attitudes, building a closer identity of interest between employees and other shareholders and encouraging people to co-operate with each other in achieving common objectives. Even the perfectly conventional share option scheme should at least, cause the participants to be less detached from the corporate animal in respect of which they have hitherto been managing other people's assets.

Beyond this, however, some companies have been bold enough to incorporate profit or other performance targets in their share option schemes so that an individual will only benefit if the required results are achieved. Of particular note are those companies which have made the exercise of executive share options dependent upon the company achieving a real growth in its earnings per share. The effect of such a scheme is to make the participants (usually directors and senior executives) more discriminating when considering the paper acquisition of other companies. It is all very well to increase profits by way of an acquisition but it does not do very much for the existing shareholders if the earnings per share decline.

Therefore, while one can understand some of the sceptical attitudes about the role of executive share option schemes, I do not feel that the survey findings have really given fair credit to those British companies which are genuinely trying to involve their employees and executives in working towards more prosperous enterprises which we all need for job security and, if the pattern in the USA is anything to go by, an expansion in the number of jobs available.

Richard T. Greenhill,
Cockman, Copeman & Partners,
*26-28 Bedford Row, WC1*

### The pace of change

*From Mr S. Bell, MP*

Sir,—Delegates to the Labour Party conference were puzzled by your editorial (October 3) which declared that Neil Kinnock would seek "to slow the pace of change."

To be sure, Neil Kinnock will reverse all those policies of liberal capitalism pursued by Margaret Thatcher. To be sure, there will be a planned rather than a free market economy. But there will be change enough, I should have thought, to the unemployment figures, where the pace of change will be sharpest.

I doubt whether Mr Kinnock as Prime Minister will embark upon a 100-day policy of dynamic effort, but as he said in his speech to Party conference, a Labour Government will, at the earliest possible time, pass and enforce laws to redress grievances, to promote justice and opportunity, change economic ownership and the concept of rewards, and also promote fairness and freedom to punish those who dodge their taxes or pay sweat-shop wages, or who practice racialism or any of the other evils of society.

There will therefore be change enough, change to the economy of our country, towards *egalitarianism* and away from authoritarianism, towards a wider and more diffused democracy, rather than one in which power is concentrated more and more in Whitehall, in the Press, the City, and the Establishment. To be sure, all this will take time, more than the life of a single Parliament, but it hardly justifies your criticism that Mr Kinnock would "seek to slow the pace of change."

Stuart Bell,
*House of Commons, SW1.*

### Taxation of child benefit

*From Mr T. Rose.*

Sir,—May I suggest that if child benefit is made taxable, married women in receipt of it should be granted the wife's earned income allowance (of course those who already benefit from this would not be granted it twice).

This would treat the benefit as what it is—a sum paid to mothers would ensure that the *tax is paid by those who need* the benefit less, ie married women with earned income; and may give some small incentive to mothers of small children to stay at home.

T. C. Rose.
*70 Kenley Road, Merton Park SW19.*

### Election in Uganda

*From Mr R. Kirk*

Sir,—I was intrigued by the reference in Michael Holman's article "A tale of two Ugandas" (September 25) to "irregularities before and during the count (in the 1980 election) which left many observers sceptical about the outcome."

It is easy to make such an assertion and much more difficult to disprove it.

But, just who were the "many observers"? According to its report the Commonwealth team of some 70 observers between them visited 1,476 polling stations. At the conclusion of each count, each counting agent was required to sign the result and provided with a copy. The report notes that "No party polling agents made any complaints to us." Perhaps your reporter have elevated political opponents to the status of impartial "observers," and he may be reviving their allegations that some declared results were suddenly changed: that landslide wins by the Democratic Party were translated in the landslide wins by Obote's UPC?

The Uganda Election Commission however published its own highly-detailed report on the proceedings. Whatever its reliability, that report does purport to tabulate, on a count-by-count basis, particulars of each one of the 1,773 counts. There are thus many slips of paper (each recording part of the results) any one of which would be sufficient to expose any such deceit, and prove it beyond all doubt. The fact is that not one of these hundreds of slips has been produced to support such claims.

Certainly there were blemishes in the 1980 elections but the independent Commonwealth observers were in the best position to form an informed opinion. They recorded these imperfections but judged them as having been unlikely to have affected the outcome. In all the circumstances it serves neither the interests of truth nor the people of Uganda for the elections to be so sweepingly impugned.

Richard Kirk.
*7 Easdale Street,*
*Wellington 1, New Zealand.*

### Gilt market practices

*From Mr R. Henderson*

Sir,—Mr Tunstall (October 8) is mistaken in proposing current *gilt market practices* as "a necessary technical reason" for the eight-month delay between the determination of the RPI and the payment of an index-linked gilt dividend based upon it.

Although it is necessary to know the amount of the dividend payable before it is paid, it is not necessary to know it before it starts to accrue. The equity market, after all, copes *with far greater uncertainty* in this respect than would normally arise in indexed gilts. The lag could be cut from eight months to two, thus greatly increasing the certainty of real value of dividends and capital which is the merit of indexed gilts.

Although this would not always be to the pots-hoc financial advantage of the investor, it would without doubt assist his decision-making, quite possibly to the incidental benefit of the Treasury.

R. S. Henderson.
*20, Tamar House,*
*12, Tavistock Place, WC1.*

### Efficiency of court staff

*From the Information Officer, Lord Chancellor's Department.*

Sir,—*I object to Celia Hampton*'s attack on the honesty and efficiency of court staff in her article on the reform of civil justice ("The denial of civil justice through cost," October 4). She suggests that an increase in the conduct of court business by post, with a view to saving unnecessary attendances at court, could come up against "a possibly indolent court staff which will claim delay or loss in the post if solicitors do not go along personally to bully and cajole them into doing things." This generalised and gratuitous accusation is not substantiated by any facts and it is patently unfair to court staff. Incidentally, postal facilities are available now for the conduct of most pre- and post-trial work in the great mass of simpler cases.

G E Moggridge.
*Neville House,*
*Page Street, SW1.*

# FINANCIAL TIMES

Monday October 15 1984



Terry Byland on Wall Street

## Treasury avalanche awaits

THE PROFESSIONALS in the New York bond market were sighing with exasperation while the U.S. Congress performed what is sometimes seen as a ritual dance before it granted approval for the increase in the federal debt ceiling. The more sophisticated simply refused to take it all seriously: "We do not really believe they are about to turn the lights off," the managing director of a leading bond trading house said last week.

Nevertheless the latest round of delay has built up a backlog of Treasury funding with significant implications for the debt markets. It has come when borrowing by both corporate and municipal organisations has increased in response to perceptions in some quarters that the Federal Reserve may have eased its grip.

This has brought a modest widening in the yield gap between federal and corporate bonds, as corporate yields have edged up and government bond yields down. The trend is very slim at present. Only if the gap widened significantly would investors begin to switch from corporates into federal bonds.

The corporate bond markets have seen a surge of new issues since midsummer. The total for the year now stands at about $58.2bn, and is more than 70 per cent up on 1983, according to First Boston's corporate bond calendar. Weekly totals of more than $1bn in new issues are a regular feature.

Moreover, there is a substantial warehouse of shelf-registered debt in the Securities and Exchange Commission (SEC) files which could presumably be brought to the trading floor in a hurry if conditions warranted. Last week Bank of America registered $1bn with the SEC.

The municipal bonds sector has not been lagging behind. New issues *in this market have also been* running at well over $1bn a week as the states raise finance for housing and revenue purposes.

All of which prompts a resumption of the old debate about

**CORPORATE FIXED-INTEREST NEW ISSUES**

| | |
|---|---|
| Week to Oct 8 | $1.3bn |
| Prev. week | $755,000 |
| 1984 to date | $58.2bn |
| Comparable 1983 | $34.1bn |

*Source: First Boston*

whether the New York bond market will be the helpless scene of a collision between massive corporate and federal funding programmes, which will drive rates up.

The Treasury poured aviation spirit on the bonfire last week when, in a most unusual move, it spelled out for Congress and anyone else who was listening the full tally of its expected funding requirements for the weeks ahead.

Taking into account the two auctions of seven and 20-year securities which had to be postponed last week, the Treasury needs to sell $42.3bn in new notes and bonds before the end of next month.

The calendar was attached to a letter addressed by Mr Donald Regan to Congressional leaders in which he pointed out, tartly, that this debt has to be financed over only 28 days, effectively presenting the bond markets with an auction on almost every trading day for the month ahead.

But a collision between these voracious borrowers may not be completely inevitable, according to some analysts of the credit markets. Much of the borrowing from corporations and municipalities has been opportunist, and inspired by the hints of easier credit policies by the Fed.

Already the market is rethinking its opinions on that score. Treasury borrowing was running below 1983 levels in the early part of this year – new federal issues totalled $48bn in the second quarter, compared with the previous period's $64bn.

Corporate borrowers, in particular, tend to back off when Uncle Sam rides into the markets. There are signs that corporate borrowers have begun to shy away from the funding plans which were confirmed by the Treasury last week.

*The past fortnight has seen a* steepening in the yield curve as short-term rates have fallen.

This could draw corporate financiers back to short-term funding, the policy followed at the beginning of the year.

A straw in the wind may be the exceptional popularity of offerings of "put" bonds, which include a provision enabling investors to sell the securities back to the issuer at face value if rates rise before a specific date. This gives the borrower the opportunity to refinance if rates turn down.

These factors could reduce the chances of a "collision of borrowers." In this case the Treasury and the market traders should be able to sleep easier at nights – not to mention many others who *have no* wish to see U.S. interest rates pushed higher again.

**Jason Crisp** reports on a growing trade imbalance

# U.S. boosts Japanese electronics

JAPANESE DEPENDENCE on the U.S. market to sell its electronics products rose sharply last year. Exports of all electronics products to the U.S. jumped 41.6 per cent in 1983 to $9.8bn, according to figures just published by the Electronic Industries Association of Japan.

As a result, the U.S. accounted for 37 per cent of all Japanese electronics sales overseas, the highest level since 1976. Last year, Japan exported more than half its record production of electronics products worth Y12,700bn ($51.4bn). Japan's trade surplus with the rest of the world in electronics goods rose more than 20 per cent to $23.9bn. Exports were worth nearly 10 times the value of imports.

The imbalance of trade in electronics goods between Japan and the EEC is particularly dramatic despite efforts by the Community to stem the flood of Japanese imports, particularly video cassette recorders.

Even though the voluntary restrictions produced a 1 per cent fall in total electronic exports to the Community, the EEC imported goods such as VCRs, microchips and computers worth $5.4bn and only exported back to Japan $233m.

VCRs were still the main item exported to Europe, followed by a variety of electronic components, computers and audio tape recorders.

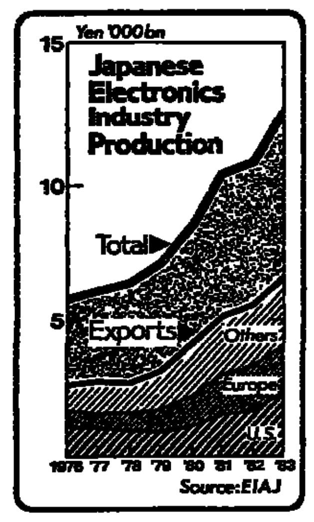
The two main product lines going in the opposite direction were computers and integrated circuits, each accounting for just under $50m, according to EIAJ figures.

The growth of this industry has inevitably meant that electronics has become increasingly important to the Japanese economy. Ten years ago, electronic products accounted for just over 10 per cent of total Japanese exports. Last year it was almost 20 per cent.

One of the more dramatic changes in the Japanese electronics industry has been in computers. In 1980, Japan was still a net importer of computers, most of which came from the U.S. – but last year Japan exported computers worth $2.75bn – more than four times its imports of $657m, which is still about the same level as in 1980. Japanese computer exports to the U.S., a country that dominates the industry worldwide, rose 2.4 times last year.

The U.S. also took a substantial proportion of Japanese microchip exports, a product area that has caused considerable friction between the two countries in the past.

Japanese production of integrated circuits rose 37 per cent to $4.6bn in 1983 and exports were up by almost a half, to $1.7bn, of which 44 per cent went to the U.S. Japan also imported integrated circuits worth $436m from the U.S.




Production of all electronic components in Japan rose 22 per cent in 1983 and almost exactly half was exported. With the exception of integrated circuits, the largest proportion of electronic components was sold to other Asian countries.

Consumer products remain Japan's strongest export line in the electronics field. For the third year running, the video cassette recorder was the largest single export earner in the whole sector. In 1983, Japan produced more than 18m VCRs, worth $6.1bn, and it exported 83 per cent of them.

Following the voluntary agreement between the EEC and Japan's Ministry of International Trade and Industry (MITI), VCR sales to the Community fell 6 per cent to 4.6m units, which represents 30.5 per cent of the exports. The U.S. bought 5.4m, which is more than double the number in 1982. Because the VCR boom has taken off in the U.S. this year, that figure will be increased again.

The other main consumer item produced in Japan is the audio tape recorder. The country produced no fewer than 63.7m tape recorders worth $3.4bn and exported, by value, 86 per cent. Just over 40 per cent went to the U.S., 22 per cent went to the EEC and 22 per cent to Asian countries.

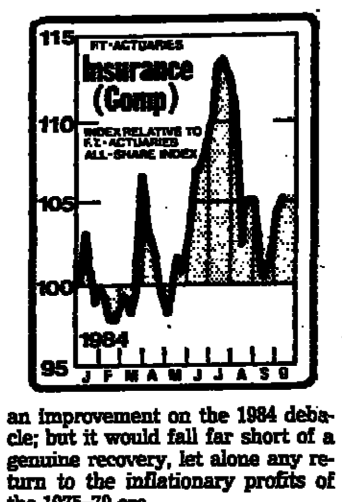
*[All figures in EIAJ report published in Yen. Figures converted at current Yen:$ exchange rate.] Annual Data on Japan's Electronics Industry published by EIAJ, 4000 Dusseldorf, Schadowstraße 41, West Germany.*

THE LEX COLUMN

# Capital strength of the insurers

British insurance companies have been keeping well clear of the action in the financial services revolution. Richly endowed with capital – getting on for £7bn in net assets for the composites alone – they seem extremely reluctant to make what might seem a natural match with their capital-hungry friends elsewhere in the City of London. So capital for tomorrow's securities industry is coming instead from foreign climes or from the clearing banks.

A few of them may slowly be stirring. Guardian Royal Exchange will ask its shareholders today to approve a restructuring designed to help GRE spread its wings. And, if any further reminder were needed after Eagle Star's disappearance of the industry's own vulnerability, a public appearance by the senior Allianz management in the City next week should provide it.




### Lively shares

The activities of GRE and Allianz may already have contributed to a heightened market interest in the future of all this capital. Insurance shares have enjoyed a lively fortnight, recovering at least a part of the ground lost after some truly appalling interim results. It might be rash, though, to attribute this advance to speculative buying in the hope of a fresh approach – either by the sector to the changes around it or by outsiders towards the sector itself.

Surprising as it might seem, there still appears to be a ready audience of investors for comforting words about cyclical recovery for the world insurance industry. Undoubtedly, evidence is fast mounting of sustainable premium rate increases in the worst areas and the U.S. in particular. Confidence is high that the huge losses incurred by so many companies in the first half of 1984 will represent the bottom of the cycle and some investors obviously believe they are getting in early for the next ride.

This time around, though, it all looks a little different. In the first place, the scale of any foreseeable recovery is likely to pale by comparison with the statistics of the decline since 1979. In the case of the major U.S. companies, some resourceful accounting methods may well be storing up nasty surprises for later. For those involved in the U.S. market, a 3 to 4 per cent return on capital next year would be an improvement on the 1984 debacle; but it would fall far short of a genuine recovery, let alone any return to the inflationary profits of the 1975-79 era.

There is a view that enough people are being hurt badly enough by the current overcapacity of the world industry to ensure a classic shake-out and pricing upheaval, though it may be 1986-87 before the survivors benefit. The length and depth may have changed, in other words, but the cyclical pattern of the industry's profits will remain evident.

Against this is the view that the traditional cycle has now been so badly dislocated as to be scarcely applicable to any likely future trend. The era of volatile interest rates and high inflation rates has ended in a chronic overcapacity, some would argue, as well as a preoccupation with investment income at the cost of mountainous underwriting losses. The gradual readjustment to a low inflation environment may see investment income fall back from 15 per cent of premiums written to a more traditional 8 per cent or so.

On top of that, they will have to tackle the legacy of operating ratios of 120 per cent or more – the ratio, that is, of claims and expenses to premium income. Periodic scrambles for market share will make the task no easier, while there must be room to doubt how fast commercial business can grow.

Whether cyclical recovery or interminable upheaval is the most suitable label for the industry's future must have a crucial bearing on how investors judge the UK composite industry's reaction to its grossly overcapitalised structure.

Adherents of the cycle theory will presumably be more sympathetic to those managements which claim that an abnormally high solvency ratio can leave them perfectly poised for organic growth around the world once the shake-out begins. Commercial Union's retreat from U.S. special risk business, the reappearance of "excess and surplus lines" business from the U.S. at Lloyd's of London and the merger of Sun Alliance and Phoenix – these all offer rays of hope that capacity may already be starting to fall.

The pessimists will be less patient with the overcapitalised companies, and so will anyone sceptical enough of the recovery to wonder why that organic growth should not lead promptly to more underwriting at a loss. One attractive alternative – for shareholders, anyway – might just be some form of capital redistribution. The usual objection to this hinges on the tax complications; but at least as big a deterrent in most cases would seem to be the fear that any significant depletion of reserves might make the more digestible in a take over.

### New horizons

Most of the composites themselves remain as reluctant as ever to contemplate using their capital to expand beyond their traditional business horizons. Only Eagle Star, ironically, had really made much progress in this direction before its own disappearance into BAT's accounts. Royal Insurance for one has had constantly under review the option of diversifying into the retail end of the financial services boom, but has made no move to date. GRE's more open ambitions may be on parade again today but remain tantalisingly vague.

Perhaps the industry's innate conservatism has so far served it well. Continued caution will do nothing to dispel long-standing charges of an unimaginative collective leadership; but the hard grind facing the industry to regain control of its expense ratios is unlikely to leave spare management resources and there is a strong argument for it to stick to the knitting. All of that, of course, leaves open the possibility that the financial services mountain may be brought to Mahomet. Bidders will have to contemplate outlays of £1bn to £1½bn but foreigners with that sort of cash can feel free to apply – which ought to ensure an attentive audience next week for the gentlemen from Munich.

# British Gas to buy North Sea stake in first commercial deal

BY DOMINIC LAWSON IN LONDON

THE BRITISH Gas Corporation is to buy its first stake in a North Sea discovery. Until now British Gas has never commercially bought or sold North Sea interests, but has been content to gain all its North Sea assets from the Government via licensing rounds.

British Gas is proposing to acquire a 10 per cent stake in North Sea block 22/5b, which contains a discovery – the Drake field – of gas and condensate (a very light oil). British Gas is thought to be paying between £10m and £15m ($12.3m – $18.4m), but the corporation will make no comment on that. The stake is being sold by a subsidiary of the Malaysian company Yayasan Pelaburn Bumiputra.

The deal has yet to be approved by the Department of Energy, where it will come under close scrutiny since it will be seen as a test case. The Government has particularly sought to reduce British Gas's role in the North Sea, but this represents a direct move – which would be effectively funded by the Government – by the corporation to expand its North Sea interests.

The deal can also be seen as a shot across the Government's bows in the last two months before the closing of the ninth round of UK oil and gas licences. It is a signal that if the Government does not treat British Gas well in the awards of ninth-round acreage, then the corporation will be forced to pay cash to ensure itself the access it wants to future UK gas supplies.

However, the proposed deal seems unlikely to be blocked by the Government, since British Gas can present very strong commercial arguments for the purchase. British Gas has 50 per cent interests in the three surrounding blocks, and there is a strong possibility that the field might spill over into one or more of those blocks. It is thought that the Drake field, which was discovered by Superior Oil of the U.S., contains between 600bn and 800bn cubic feet of gas.

It seems likely that British Gas *will want to follow up its deal with a* proposal to develop the field itself. Situated 150 miles north-east of Aberdeen, Drake might become the most northerly gas field to be developed in the UK. As operator British Gas would gain valuable insight into the costing of developing northern gas fields, and would thus be in a stronger position to negotiate gas prices with companies developing future gas fields

# Forecast for Novo sales reduced

By Jeffrey Brown in London

NOVO INDUSTRI, the Danish enzymes and pharmaceuticals group, is downgrading its sales forecast for 1984 – less than two months after disappointing the world's stock markets with an unexpectedly poor set of half-time results.

Against a forecast of sales growth of around 20 per cent for this year, the company now says turnover for 1984 will rise by only 10 per cent. Sales were 12 per cent higher at DKr 1.8bn ($160.4m) for the first half of the year.

The prediction is contained in Novo's progress report for the third quarter, which says earnings for the period are ahead of any previous quarterly profit.

However, the group emphasises that the performance has fallen short of internal expectations. That, it says, is largely because of below-budget shipments to the U.S. of starch enzymes and insulin.

Novo's profits have grown very rapidly in recent years. On sales 25 per cent ahead, net profits for 1983 were almost 50 per cent higher at DKr 704m, allowing the company to step up its dividend by around a sixth.

Thus the performance this year has implied a quite dramatic reversal in fortunes. Half-year 1984 net profits were virtually unchanged, at DKr 320m against DKr 329m a year earlier.

Novo is the world's biggest producer of industrial enzymes and number two in the insulin rankings. As well as Copenhagen, its shares are listed in New York and London.

# Paris talks on Channel link

BY ANDREW TAYLOR IN LONDON

BRITISH and French transport officials are to meet in Paris this week to discuss prospects for building a Channel tunnel or bridge.

It will be the first opportunity the French have had to discuss Britain's cool response to an Anglo-French banking study, in May, which concluded that a privately financed Channel tunnel would be viable with minimum government financial guarantees.

Mr Nicholas Ridley, the UK Transport Secretary, has insisted that any scheme would have to be financed entirely without state guarantees.

The French must now decide whether that position is acceptable. If not, there would appear to be little point in any further discussions about a Channel link.

The meeting between officials is set to take place only a few days before President François Mitterrand is due to start a state visit to Britain on October 23.

Talks between officials had been expected to start earlier this summer but were overtaken by upheavals within the French Government with the appointment of M Laurent Fabius as Prime Minister.

The French have remained wary of British commitment to a Channel link after the unilateral decision by Britain's Labour Government in January 1975 to abandon work on a Channel tunnel several months after it had begun.

Supporters of three rival private-sector schemes before the British Government – a bridge, a tunnel and a combination of both – say that officials need to resolve a number of key issues before detailed negotiations with financial backers can begin.

Supporters of the schemes have been pressing Mr Ridley to state which of the three concepts he prefers. They say bankers are unlikely to provide large sums for detailed preparatory work until they know which of the three basic designs the UK Government will support.

# IRA 'planned bomb for years'

Continued from Page 1

She returned to Downing Street last night to prepare for a meeting tonight with M Jacques Delors, president designate of the EEC Commission, to discuss the share-out of portfolios in the new Commission.

It was emphasised by British officials yesterday that the incident would not interfere with plans to hold an Anglo-Irish summit next month, nor would it affect current discussions between the two government.

Those have focused for some months on ways of co-ordinating security policy and operations, with closer Anglo-Irish links at the political and operational level.

While British ministers insist that there will be no dramatic new "initiative," indications are that the UK Government has been considering ways of giving Dublin a much bigger voice in Northern Ireland security matters.

That process, it is suggested, was as much a target of the IRA attack as were the individual members of Mrs Thatcher's Government.

Senior members of Sinn Fein, the political wing of the provisionals, also suggest that revenge for the death of the hunger strikers was not the only motive for the bombing.

Had the bombers succeeded in killing Mrs Thatcher and Cabinet ministers, they felt, it would finally have persuaded the British Government and people that the cost of staying in Northern Ireland was too high.

It is being recalled in Ireland that Mr Gerry Adams, President of Sinn Fein and an MP, promised revenge at the graveside of Mr Bobby Sands, the first hunger striker to die and who himself was elected an MP while on hunger strike.

The interview with an IRA source in the Sunday Press suggested that members of the bombing unit paid several visits to the Grand Hotel to plan the attack.

# France and UK may work jointly on arms

Continued from Page 1

the propulsion systems on British nuclear submarines.

Partly because of longer experience in operating ballistic missile launching and "hunter-killer" nuclear submarines, Britain has a lead in the sophisticated technology of reducing propeller noise. This is crucial to heightening submarines' security against detection by Soviet electronic tracking.

France is making maximum efforts to lower noise on its new gen*eration of missile launching nuclear* submarines (SNLEs), planned to come into operation from the mid-1990s. Extensive design work is under way on the first of the new series – which will be France's seventh SNLE – and a firm order is to be placed in 1987.

The area is doubly sensitive because of the last-resort position of the nuclear missile-launching submarine fleets in French and British defence policies and because much of Britain's nuclear submarine technology was acquired from the U.S. under a 1958 agreement.

The agreement, which specifically excluded France, gives Washington a veto over passing on information to third countries. However, the quiet propulsion system is acknowledged to be British invented and therefore might fall outside the restrictions.

## World Weather

| | | °C | °F | | | °C | °F | | | °C | °F | | | °C | °F |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Ajaccio | S | 22 | 72 | Dubrovnik | S | 23 | 73 | Malaga | S | 22 | 72 | Salzburg | S | 18 | 64 |
| Akrotiri | S | 28 | 82 | Faro | S | 22 | 72 | Malta | S | 23 | 73 | Seoul | F | 22 | 72 |
| Algiers | – | – | – | Florence | S | 23 | 73 | Manila | S | 32 | 90 | Singapore | C | 25 | 77 |
| Amsterdam | F | 16 | 61 | Frankfurt | C | 10 | 50 | Miami | F | 27 | 81 | Stockholm | C | 7 | 45 |
| Athens | S | 26 | 79 | Funchal | S | 21 | 70 | Milan | S | 20 | 68 | Strasbourg | S | 13 | 55 |
| Bahrain | S | 33 | 91 | Geneva | F | 14 | 57 | Moscow | R | 4 | 39 | Sydney | S | 23 | 73 |
| Bangkok | R | 28 | 82 | Gibraltar | C | 18 | 64 | Munich | S | 16 | 61 | Taipei | S | 28 | 82 |
| Barcelona | S | 23 | 73 | Guernsey | S | 16 | 61 | Nairobi | F | 27 | 81 | Tangier | S | 24 | 75 |
| Beirut | S | 28 | 82 | Helsinki | C | 5 | 41 | Naples | C | 20 | 68 | Tehran | – | – | – |
| Belgrade | S | 16 | 61 | H Kong | S | 26 | 79 | New Delhi | S | 35 | 95 | Tel Aviv | S | 30 | 86 |
| Berlin | D | 14 | 57 | Innsbruck | S | 17 | 63 | New York | C | 20 | 68 | Tenerife | S | 28 | 82 |
| Biarritz | S | 21 | 70 | Inverness | F | 14 | 57 | Nice | S | 21 | 70 | Tokyo | S | 26 | 79 |
| Blackpool | C | 14 | 57 | Istanbul | F | 20 | 68 | Oporto | S | 25 | 77 | Toronto | C | 14 | 57 |
| Bordeaux | S | 16 | 61 | Jersey | S | 16 | 61 | Oslo | S | 14 | 57 | Tunis | F | 22 | 72 |
| Brussels | C | 13 | 55 | Jo'burg | R | 27 | 81 | Paris | S | 17 | 63 | Valencia | S | 22 | 72 |
| Budapest | S | 16 | 61 | Las Palmas | S | 27 | 81 | Prague | C | 13 | 55 | Venice | S | 19 | 66 |
| B. Aires | S | 24 | 75 | Lima | R | 20 | 68 | Reykjavik | S | 6 | 43 | Vienna | S | 18 | 64 |
| Cairo | S | 34 | 93 | Lisbon | S | 21 | 70 | Rio de J'o | S | 32 | 90 | Warsaw | R | 11 | 52 |
| Cape Town | F | 18 | 64 | Locarno | S | 19 | 66 | Rome | S | 24 | 75 | Zurich | C | 12 | 54 |
| Caracas | – | – | – | London | S | 18 | 64 | | | | | | | | |
| Casablanca | C | 21 | 70 | Los Angeles | S | 30 | 87 | | | | | | | | |
| Copenhagen | S | 14 | 57 | Luxembourg | F | 11 | 52 | | | | | | | | |
| Corfu | S | 27 | 81 | Madrid | S | 21 | 70 | | | | | | | | |
| Dublin | C | 18 | 64 | Majorca | F | 23 | 73 | | | | | | | | |

*Readings at mid-day yesterday:*

C-Cloudy D-Drizzle F-Fair Fg-Fog R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

# Ford, GM close to pay pacts

Continued from Page 1

Some Ford officials, for example, were reported as saying that GM's job security programme extended too far down the seniority list and created a disincentive for workers to switch to other industries.

With two of the top three U.S. motor manufacturers having agreed to settle with the UAW, there has been speculation in recent months that Mr Bieber, who took over the presidency of the UAW in May 1983, will press to reopen wage negotiations with Chrysler Corporation, the third biggest U.S. car maker, which is fast recovering from its financial crises



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SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Monday October 15 1984



CREDITS

# Spain returns to peseta funding as reserves increase

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

SPAIN, which has enjoyed a sharp increase in its foreign reserves this year, has begun to turn its attention increasingly towards peseta syndications to satisfy the new financing needs of its domestic borrowers.

Last week the Government said it was urging utility companies to borrow on the local market rather than run the exchange risk of incurring new debt in dollars. Peseta borrowing might make up half the total of a new $170m credit likely to be brought to the market shortly for the state holding company INI by Citicorp and Mitsubishi Bank.

The objective is to absorb domestic liquidity that has begun to bulge with the increase in reserves. International Monetary Fund figures show that Spain's reserves, excluding gold, rose to SDR 10.6bn ($10.5bn) at the end of July from only SDR 7.1bn in December last year.

One implication of that is that Spanish borrowers who were raising funds actively at the start of the year can stand back from the Euromarket unless they decide to refinance existing foreign debt.

The kingdom itself is increasingly viewed in the market as one such refinancing candidate and is receiving offers for a floating-rate note or a second Euronote facility. The rest of its foreign borrowing needs for this year have now been met, except for about $150m which is likely to be covered in the British bulldog bond market.

Elsewhere, Credit National last week launched its $500m loan package as expected through Banque Nationale de Paris, Morgan Guaranty and Crédit Suisse. Initial market judgment was that the deal, which bears a facility fee of 10 basis points is rather finely priced, but a general shortage of new business coupled with the support the borrower is actively seeking from relationship banks should offset this.

Argentina is to begin a new round of talks with its bankers on a $20bn debt package tomorrow, while Bolivian talks are to resume in La Paz at the end of the month.

A rare deal has emerged for a Turkish private-sector borrower. The banking and industrial group Sabanci is raising $25m over two years through Lloyds Bank and AK International. The interest margin will be 1 per cent for the first year and 1¼ per cent thereafter.

| BHF Bank bond average | | |
|---|---|---|
| Oct. 12 | | Previous |
| 101.193 | | 101.172 |
| High | 1984 | Low |
| 101.329 | | 98.056 |



# Exxon deal could signal start of a new era

BY MAGGIE URRY IN LONDON

EXXON'S giant zero-coupon issue openly auctioned last week and sold in one chunk to Merrill Lynch, might signal a new era in the Eurobond market. What if all borrowers were to do it Exxon's way?

That is something most syndicate managers (except perhaps Merrill) would rather not see happening. It would not be in their interests, and, some argue, would not benefit the borrowers either. "Exxon could have got better terms if it had gone through the usual process of getting bids privately from a few managers, and giving the deal to one who could then get a group together," said one manager.

Merrill Lynch bought the whole of the deal at a price of 11.05 and then set about reissuing it at a price of 11.65.

"They beat the competition at the auction, it is difficult to get the competition to come and support the deal at a higher price," said a rival who did not join the management group.

Nevertheless Merrill assembled a group of respectable managers, although without any of their big London rivals in the management league tables.

By the end of the week, Merrill had earned the respect of those rivals, even if they were sceptical about the level of interest in London. The Japanese rules allowed a third of the issue to be placed there immediately, and Merrill's big retail operation was hard at work elsewhere. The trading level quoted on Friday afternoon was around the 11.15 level – although dealers remarked that that price was "for information only." If that level holds, Merrill's gamble will have paid off.

Last week saw not one plain vanilla Eurodollar bond issue. A bond that did not convert, float or carry a warrant would not have worked. That has allowed the backlog of issues to work through the distribution systems, and bond prices gained a ½ point over the week.

Deal of the week was undoubtedly Crédit Foncier's floating convertible, which not only got the borrower cheap money, but traded up to a one point premium. Investors can convert the notes into a Euro-French franc bond paying 12¾ per cent, at an exchange rate to be fixed this week, during the first year. With the dollar as high as it is and the French bond market going strong, that conversion looks very attractive.

Although that does not mark the reopening of the EuroFrench franc bond market, it is a discreet way of testing that market which no doubt the authorities will watch with interest.

Eurosterling floaters are still in strong demand, with Friday's deal from ANZ Banking going a little too well. It was bid as high as 99.91, before settling at a still happy 99.85.

Spreads are coming down in the Eurosterling market almost to dollar levels. ANZ's ⅛ per cent over three-month London interbank offered rate and front-end fees of 55 basis points, give an all-in cost to ANZ of a mere 20 basis points over Libor on a compounded basis. The associated swap into floating-rate U.S. dollars, apparently gets ANZ funds at close to Libor.

The bulldog market – bonds issued in the domestic sterling market by foreign borrowers – is broadening and deepening too. "Investors used to be in bulldogs or not. Now they can have a strategy for their bulldog portfolios in terms of borrowers and maturities," a British merchant banker said.

Sweden's issue last week went well despite a wobbly gilt-edged market mid-week at the crucial pricing and application stage. On Friday the issue closed at a ⁵⁄₁₆ premium to its £20-paid price.

The D-Mark bond market paused for breath last week, so perhaps the setting of the biggest new issue calendar since early summer was not good timing. The first few issues did not get the rapturous welcome that deals had had in previous weeks.

The market has caught warrant-fever though, pushing a warrants deal from department store Kaufhof up to 107 before falling back to 105¼ against a par issue price.

Profit-taking kept the gain in the D-Mark bond market down to around ¼ point over the week.

Swiss franc investors are getting a little tired of the lower coupons on new issues, especially as interest rates look to be going up. The European Investment Bank's new 10-year issue with a 5⅛ per cent coupon started trading on Friday at 97¾, against a par issue price, while an older EIB issue with a 6¼ per cent coupon gained a point mid-week to 102½.

The strong dollar has also depressed Swiss franc bond prices, down by as much as ½ point last week.

## NEW INTERNATIONAL BOND ISSUES

| Borrowers | Amount m. | Maturity | Av. life years | Coupon % | Price | Lead Manager | Offer yield % |
|---|---|---|---|---|---|---|---|
| **U.S. DOLLARS** | | | | | | | |
| Tokyo Sanyo Elec. § | 100 | 1998 | 15 | (3¾) | 100 | Yamaichi Int., Daiwa Eur., Mgn. Stanley, Schroder Wagg | • |
| NZI Corp. § | 50 | 1994 | 10 | (10½) | 100 | Kidder Peabody Int. | • |
| Barclays †(a)‡ | 600 | – | – | ¼ | 100 | Barclays Merchant Bank | – |
| Exxon ‡ | 1800 | 2004 | 20 | 0 | 11.65 | Merrill Lynch, Daiwa Eur., Credit Lyonnais | 11.348 |
| Nippon Seiko § | 70 | 1999 | 15 | (3½) | 100 | Nomura Int., Kleinwort Benson | • |
| Den norske Creditbank †(c)‡ | 150 | – | – | ⅛ | 100 | Mgn. Stanley, Bank of Tokyo Int., Nordic Bank | – |
| Credit Foncier †(d)‡ | 150 | 1999 | 15 | (d) | 101½ | CCF, Mgn. Guaranty | – |
| Finnish Export Credit Ø‡ | 100 | 1989 | 5 | 12¾ | 103¼ | Mgn. Stanley, First Interstate | 11.852 |
| Ford Motor Credit †(e)‡ | 200 | 1991 | 7 | ⅛ | 100 | Goldman Sachs, Deutsche SBCI, UBS (Secs), Commerz | – |
| Mitsubishi Fin. Ø‡ | 100 | 1989 | 5 | 12⅝ | 103.3 | Mitsubishi Fin. Int., Mgn. Stanley, Deutsche, CSFB | 11.716 |
| Toronto-Dominion Bank Ø‡ | 100 | 1988 | 3½ | 12½ | 102.7 | CSFB | 11.459 |
| **CANADIAN DOLLARS** | | | | | | | |
| World Bank ‡ | 75 | 1991 | 7 | 12½ | 98¾ | Daiwa Secs. | 12.556 |
| **D-MARKS** | | | | | | | |
| New Zealand ‡ | 250 | 1991 | 7 | 7¼ | 100 | Commerzbank | 7.250 |
| Kaufhof Fin. ¶‡ | 150 | 1994 | 10 | 3¼ | 100 | Dresdner Bank | 3.250 |
| Beecham ‡ | 200 | 1994 | 10 | 7⅜ | 100 | Commerzbank | 7.375 |
| Denmark ‡ | 150 | 1989 | 5 | 7⅜ | 100 | WestLB | 7.375 |
| Denmark ‡ | 150 | 1994 | 10 | 7¾ | 99¾ | WestLB | 7.787 |
| Spain **‡ | 60 | 1992 | 8 | 7⅞ | 99¾ | Dresdner Bank | 7.918 |
| **SWISS FRANCS** | | | | | | | |
| Dai-ichi Seiyaku **§‡ | 50 | 1990 | – | 2 | 100 | CS | 2.000 |
| Kyushu Electric ‡ | 100 | 1994 | – | 5⅞ | 100 | SBC | 5.875 |
| Furukawa Co. **¶ | 50 | 1989 | – | (4) | 100 | CS | * |
| Nankai Elec. Rail. **¶‡ | 50 | 1989 | – | 3⅞ | 100 | Banca del. Sviz. Ital. | 3.875 |
| Atlas Copco **†(b)‡ | 75.5 | 1991 | – | ¼ | 100 | SBC | – |
| City of Kobe | 100 | 1994 | – | (5¾) | 100 | UBS | * |
| **STERLING** | | | | | | | |
| Sweden ‡ | 100 | 2012 | 28 | 11 | 91.976 | Morgan Grenfell | 12.005 |
| ANZ Banking Corp. †(f)‡ | 78 | 1997 | 13 | ⅛ | 100 | SBCI, Mgn. Grenfell, Mgn. Stanley | – |
| **ECUs** | | | | | | | |
| European Banking Co. ‡ | 40 | 1993 | 9 | 11¼ | 100⅝ | Ban. Paribas, EBC, Soc. Gen., Soc. Gen. de Banque | 11.137 |
| Bank of Tokyo ‡ | 40 | 1991 | 7 | 10¾ | 100 | Kredietbank Int., BoT, Int. | 10.750 |
| **GUILDERS** | | | | | | | |
| Australia | 400 | 1999 | 13 | 8¼ | 101.2 | AmRo | 8.109 |
| World Bank **‡ | 100 | 1989 | 5 | 7¾ | 100 | ABN | 7.750 |
| EDF ‡ | 150 | 1994 | 8 | 8 | 99¾ | ABN, AmRo | 8.037 |
| **YEN** | | | | | | | |
| Spain ‡ | 15bn | 1994 | 9 | 7.4 | 99½ | Nikko Secs. | 7.478 |
| IDB of India **‡ | 5bn | 1994 | 9 | 7.9 | 100 | Bank of Tokyo Ltd. | 7.900 |
| Nat. Bank of Hungary **‡ | 10bn | 1991 | 6.4 | 7.9 | 100 | LTCB of Japan Ltd. | 7.900 |

* Not yet priced. ‡ Final terms. ** Private Placement. § Convertible. † Floating-rate note. Ø With debt warrants. ¶ With equity warrants. (a) Perpetual; ¼ over 6-month Libor. (b) ¼ over 6-month Libor for SwFr. (c) Perpetual; ¼ over 3-month Libor. (d) Pays equivalent of 6-month Libor. (e) ⅛ over 6-month Libor. (f) ⅛ over 3-month Libor. Note: Yields are calculated on AIBD basis.

# INTERNATIONAL CAPITAL MARKETS AND COMPANIES

U.S. BONDS

## Federal Funds rate fall keeps credit markets guessing

A SHARPLY lower Federal Funds rate kept the U.S. credit market guessing last week. And a flood of new government paper, unleashed by the lifting of the debt ceiling, promised yet more uncertainty.

While short-term rates followed the funds rate down last week—three month T-Bill rates closed below 10 per cent —investors in the long-term credit markets were notably more cautious.

This reflects not only the expected $40bn plus avalanche of new government paper in the next month, kicking off with

| U.S. INTEREST RATES | Week to Oct 12 | Week to Oct 5 |
|---|---|---|
| Fed funds wkly av. | 10.01 | 10.12 |
| 3-month CDs | 10.65 | 10.85 |
| 3-month T-bills | 9.91 | 10.13 |
| 30-year long bond | 12.12 | 12.21 |
| AAA utility | 13.25 | 13.30 |
| AA industrial | 13.13 | 13.20 |

Source: Salomon Bros. (Estimates).
Money supply: In the week ended October 1 M1 rose by $1.5bn. to $548.3bn. In September M2 rose by $14.6bn to $2,305bn and M3 rose by $18.1bn to $2,885bn.

$5.5bn of 7-year notes tomorrow and $8.8bn of two-year notes on Wednesday, but also continuing debate on Wall Street about whether or not the Federal Reserve has further eased its credit policies.

Some, like Mr Philip Braverman of Briggs Schaedle, believe "the Fed has eased more than the market realises." Others contend that the Fed is holding steady. All however agree that the recent funds rate of less than 10 per cent is an aberaration caused by technical factors, including the delay in lifting the debt ceiling which not only resulted in "difficult to manage" Treasury balances but almost resulted in the temporary "parking" of funds, particularly foreign funds, earmarked for Treasury coupon auctions in the money markets.

Generally Wall Street believes theFed is currently aiming for a funds rate "centred on 10.25 per cent," as Dr Henry Kaufman of Saloman Brothers says.

The economy, banking and money supply numbers remain the key to expectations and none of them left the general debate any clearer last week. Nevertheless, despite the uncertainties, the bond market is currently in relatively good form.

Sharply lower short-term rates have led to a steeper yield curve with the difference between 3-month Treasury bill rates and 30-year rates widening from just under 150 basis points to over 210 basis points. Bank certificate of deposit rates fell particularly sharply last week reflecting a partial easing of investor concern in the wake of the first round of bank quarterly results.

Long-term rates have nevertheless also been falling despite difficult circumstances. At the close of the holiday-shortened trading week the Treasury long bond had gained 21-32 points to close at 103. At the current price the long bond is yielding 12.12 per cent compared to 12.20 a week ago.

Indeed following an unexpected 0.2 per cent decline in producer prices on Friday, all sectors of the U.S. bond markets closed higher. Government bond prices were up by between ⅜ points and ⅜ points on the week.

The corporate bond market is also booming as corporate treasurers take advantage of an anticipated "borrowing window" to redress their balance sheets. Last week corporate bond prices increased by 1⅛ points on medium-term issues and ⅛ points on longer-term securities.

New issue volume continued to soar, despite the attractions of the Euromarkets. According to First Boston figures, $8.385bn of new fixed-income debt was issued last week, including the $7bn Federal Home Loan Mortgage Corporation issue of 25-year zero coupon bonds.

Other new issues included a $250m offering of four-year 12⅞ notes from Tennaco which sold at par, and $200m of notes from European Investment Bank and Merrill Lynch.

**Paul Taylor**

## NZ group expects to exceed record profits

BY DAI HAYWARD IN WELLINGTON

FLETCHER CHALLENGE, new Zealand's largest company, expects to improve on last year's record NZ$107m ($51.95m) profits, despite a downturn in the economies of both Australia and New Zealand.

The company's annual report points to further improvement in the pulp and paper market which should lift the earnings of the group's Tasman Pulp and Paper subsidiary.

Last year Tasman turned a NZ$15.9m loss into a profit of NZ$4.8m. During the year Fletcher Challenge streamlined its forestry operations, cutting staff by more than 30 per cent.

The group expects conditions within New Zealand to be less buoyant, with a fall-off in domestic demand probable in the second half of the year, while at the same time economic conditions in Australia would be less favourable than they were last year.

It expects the New Zealand Government to maintain firm fiscal and monetary policies as it tackles the country's problems of inflation and large internal deficits.

Fletcher Challenge has now almost 40 per cent of its turnover, including exports and sales by the group's overseas activities, in overseas currencies. The North American operations are expected to show a "small but positive result."

Losses by Crown Forest Industries more than halved, from NZ$29.5m to NZ$11.5m last year. Recovery continues on the back of the strong pulp and paper market.

## Quebec iron ore group closures

BY BERNARD SIMON IN TORONTO

SIDBEC NORMINE, the Quebec iron ore producer 41.7 per cent-owned by British Steel, is to close its mining operations on the north shore of the St Lawrence river after suffering heavy losses for the past seven years.

Under a new arrangement among its three shareholders, Sidbec Normine will lease its iron pellet plant at Port Cartier Quebec, to Quebec Cartier Mining Company, a subsidiary of U.S. Steel. The Quebec Government steelmaker, Sidbec, owns 50.1 per cent of Sidbec Normine with U.S. Steel holding the remaining 8.2 per cent.

Sidbec Normine said the closure was forced by low world iron ore prices, which have resulted in losses of some C$550m (US$417m) since operations began in 1977.

The mining and pelletising complex was set up as part of the separatist Quebec Govern's ment's efforts to develop a fully integrated steel industry. Sidbec and British Steel have tried without success in recent lyears to find other partners for the venture.

The key element of the new arrangement is that pellets produced at Port Cartier will in future be sold to the shareholders at world prices. Up to now production has been sold at the Great Lakes price which is almost twice prevailing world prices.

Each partner is committed to buying pellets in the same proportion as its equity interest in Sidbec Normine. BSC's share of production was 2.5m tonnes in 1982, but the venture has recently been operating at only 50 per cent of capacity.

A Sidbec official said that the shareholders have agreed to continue servicing Sidbec Normine's debts totalling almost C$600m.

## Progress in Australian lng project negotiations

By Terry Povey

NEGOTIATIONS over the U.S.$7bn second phase of Australia's Northwest Shelf liquified natural gas (lng) project have taken a significant step forward following the agreement with Japanese customers for an October 1989 start-up date for shipments.

The agreement was struck on Friday between eight Japanese power utilities and the six members of the consortium that will operate the export phase of the project. Discussions over the formal supply contract are continuing and both sides expect these to be successfully concluded before the end of this year.

The new start-up agreement defers the date of the first lng deliveries from the previously proposed April 1988. The change follows a restructuring of the interests in the venture which saw the Mitsui and Mitsbishi trading houses joining up to take a one-sixth stake in the project. The other stake holders are Woodside Petr...m, Broken Hill Proprietary, BP Development Australia, Shell Development Australia and California Asiatic Oil—each with one sixth.

Exports from this massive development have been the subject of many rounds of talks since 1981. At one time it was hoped that exports would start by 1986

## Liquidity squeeze for Gulf central banks

BY MARY FRINGS IN BAHRAIN

MONETARY authorities in the Gulf are incurring huge losses in their efforts to maintain liquidity in their domestic banking systems, according to Dr Henry Azzam, the chief economist at Bahrain's United Gulf Bank.

Dr Azzam says that to compensate for a substantial outflow of private capital into higher-yielding dollar deposits abroad, monetary authorities are continuously having to provide liquidity to the banks through subsidised swap operations.

He adds that indirectly, this benefits those speculating in favour of the dollar, particularly in countries which are pursuing a policy of fixed dollar/local currency exchange rates.

The draining of resources into foreign currencies is also putting pressure on domestic interest rates. Dr Azzam says that banks in Kuwait, the UAE and Bahrain have been gradually raising their lending rates "beyond officially agreed levels," in order to be able to offer more attractive returns to local currency depositors.

"The introduction of new government debt instruments would enhance the ability of the authorities to implement effective monetary policies, and provide profitable outlets for banks to place the surplus funds they normally put into dollar deposits," says Dr Azzam.

He cites Kuwait's Central Bank Bills, Saudi Arabia's Bankers Security Deposits and the proposed CD issue by the UAE central bank as "effective monetary tools which could be further refined and better implemented."

## Boliden to acquire gold mines

BY DAVID BROWN IN STOCKHOLM

BOLIDEN, the Swedish minerals, metals and chemicals group, has reached a preliminary agreement to buy two gold mines in Canada from the Continental Illinois Bank.

The deal is a further step in the group's strategy to internationalise its mining operations and implies a rise of nearly 50 per cent in annual gold production to 5,000 tonnes, said Mr John Dahlfors, the managing director. New technologies should increase productivity at the mines, he added.

The gold has an expected sales value of some SKr 150m ($17.2m). Boliden's total operating revenue last year was SKr 5.5bn. The mines are located in the province of Quebec.

## INTERNATIONAL APPOINTMENTS

### Senior posts at Marsh & McLennan

● MARSH AND McLENNAN COMPANIES INC, New York, has elected Mr Frank J. Tasco as president and chief operating officer, and Mr L. Patton Kline and Mr A. J. C. Smith as vice chairman. Mr Richard H. Blum was elected president of Guy Carpenter and Company Inc., Marsh and McLennan's U.S.-based reinsurance brokerage subsidiary, succeeding Mr Tasco. The board also elected Mr Frank J. Borelli as senior vice president and chief financial officer. Mr Borelli has been senior vice president—finance and administration at Airco Inc. since 1980, and has also been group vice president of the company's welding and safety products division. He was also a member of the board of Airco.

● A new organisation, SAAB-FAIRCHILD AIRCRAFT, has been set up to take responsibility for all operations of the Saab-Fairchild 340 joint venture. The action was linked to the programme's transition from its development and certification phase to production and international commercial operations. The new organisation, established by the joint venture between Saab-Scania of Sweden and Fairchild Industries of the U.S., will begin full operations in November at headquarters in Windsor, England. It will be the focal point for all marketing activities, including customer relations, planning, direction and control of the total programme and future development of the SF340 aircraft. Mr George F. Cudahy was named president of Fairchild Republic Company, a division of Fairchild Industries Inc at Republic, which builds the wing and tail for the SF340. Mr Tommy Hjort was appointed executive vice-president of the new company. He has been vice-president and manager for commercial aircraft at Saab-Scania's aircraft division and has been associated with the SF340 programme since its formation in 1980.

● Mr Didrik Normark, at present marketing manager of Granges Metallverken in Vasteras, Sweden, has been appointed managing director of AB ELEKTROKOPPAR, Helsingborg, from January 1 1985. He succeeds Mr Nils Molstad, who will retire as managing director from the same date. Mr Molstad will remain at the disposal of ASEA's management for special assignments. AB Elektrokoppar, in which ASEA and Ericsson have 75 per cent and 25 per cent holdings respectively, manufactures wire, strip and conductors of copper and aluminium.

● PONDEROSA INC. has promoted Mr William R. Menzel to executive vice president, corporate administration and planning and elevated three officials to vice president. Mr Menzel was senior vice president, corporate planning and development. Mr Jeffrey D. Seaton becomes vice president, operations (east division) steakhouse division. Mr Randall C. Lawson II has been elected vice president and corporate controller. Mr George H. Gehling has been elected vice president and director—human resources, specialty restaurant group.

● Mr Robert Carslon has resigned as president and a director of UNITED TECHNOLOGIES CORP. A special committee has been appointed to find a successor for Mr Harry Gray, who earlier this year agreed to stay as chairman and chief executive officer until December 31 1985. The company had no immediate comment on Mr Carlson's resignation and did not name a successor.

● Mr Samuel Davis, the former president at Mt. Sinai Hospital in New York, has been named president and chief executive officer of ECUMED, a new billion dollar international healthcare learning and exhibition centre in Fort Lauderdale, Florida.

● THE FIRST PACIFIC GROUP has appointed Mr Philip A. Betsch as group chief financial officer, with responsibility for all financial functions for The First Pacific Group. He was with Estee Lauder International as vice president—finance.

● Mr James P. Cage has been elected an executive vice-president of CBI INDUSTRIES INC. and a director. He is president and chief executive officer of Liquid Carbonic Corp., a subsidiary recently acquired by CBI.

● Mr R. Lentz has been appointed managing director (securities) of STAAL BANKIERS N.V. Previously he held positions at AMRO Bank and the World Bank. Mr C. L. Boogert (manager domestic institutional investors) and Mr N. W. Van Poelgeest (manager special transactions) have been appointed deputy managing directors. Mr M. Rom Colthoff has joined as department manager private investors.

● Mr Thomas M. Martinsen, has been named vice president business development for ATLAS COPCO NORTH AMERICA INC.



## FT INTERNATIONAL BOND SERVICE

| U.S. DOLLAR STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Alaska Housing 11¼ 94 | 100 | 93½ | 93⅞ | 0 | 0 | 12.93 |
| All Nip. Airways 14 94 | 100 | 107½ | 108 | +0¼ | +0¾ | 12.55 |
| American Savings 12 89 | 125 | 96½ | 97 | 0 | +0¼ | 12.95 |
| Austrian Rep. 13⅝ 92 | 100 | 103⅛ | 103⅝ | +0¼ | +0⅜ | 12.85 |
| Bank of Tokyo 13⅜ 91 | 100 | 102⅛ | 102⅞ | +0⅛ | +1⅛ | 12.98 |
| CNCA 13¼ 91 | 100 | 100⅛ | 100⅝ | +0⅛ | +1⅛ | 13.12 |
| Caisse Nat. Tel. 13¾ 91 | 100 | 102⅝ | 103⅛ | 0 | +0½ | 13.04 |
| Costfed Int. 12¼ 88 | 125 | 98⅛ | 98⅝ | +0⅛ | −0⅜ | 12.78 |
| Creditanstalt 13⅛ 91 | 100 | 99⅝ | 100¼ | +0⅛ | +0⅜ | 13.08 |
| Denmark Kgdm. 13 91 | 100 | 99 | 99½ | 0 | +0½ | 13.13 |
| Denmark 13⅞ 88 XW | 100 | 101½ | 102 | +0⅛ | +0¾ | 13.22 |
| Denmark Kgdm. 14 91 | 100 | 104 | 104½ | 0 | −0¼ | 12.98 |
| EIB 12½ 90 | 100 | 98½ | 99 | +0¼ | +0⅜ | 12.78 |
| EIB 12¾ 94 | 100 | 100⅛ | 100⅝ | +0¼ | +0⅜ | 12.77 |
| EIB 13 96 | 200 | 99⅝ | 100⅛ | +0⅛ | +0⅞ | 13.01 |
| Ex-Im Bk. Japan 13¼ 91 | 75 | 102⅝ | 103⅛ | +0⅛ | +1⅛ | 12.52 |
| Fst. Mich. 13¼ 89 May | 125 | 100⅞ | 101⅜ | −0⅛ | +0⅜ | 12.87 |
| Fst. Mich. 13¼ 89 July | 75 | 101 | 101½ | 0 | +0¼ | 12.84 |
| Florida Fed. Sv. 12⅞ 89 | 100 | 98⅝ | 99⅛ | +0⅛ | +0⅛ | 12.66 |
| Gen. Elec. Credit 0 96 | 600 | 28⅜ | 29⅛ | +0⅛ | +0⅜ | 11.12 |
| Genossen Zentral 14 91 | 100 | 102⅛ | 102⅝ | +0⅛ | +0⅞ | 13.37 |
| GMAC O/S Fin. 13 86 | 200 | 100⅝ | 101⅛ | 0 | +0⅛ | 12.22 |
| IBM Credit Cpn. 11⅝ 87 | 200 | 99⅛ | 99⅝ | +0⅞ | +0⅜ | 11.85 |
| Ind. Bk. Japan 12⅞ 89 | 100 | 99⅝ | 100⅛ | +0⅛ | +0¼ | 12.91 |
| Ind. Bk. Japan 13⅞ 91 | 125 | 106½ | 107 | +0⅛ | 0 | 12.31 |
| Japan Air Lines 12½ 94 | 70 | 101½ | 102 | −0⅛ | +0¾ | 11.66 |
| Japan Air Lines 13⅜ 94 | 180 | 104⅛ | 104⅝ | +0⅜ | +0½ | 12.55 |
| LTCB 13⅝ 91 | 125 | 104⅛ | 104⅝ | +0⅛ | +1⅞ | 12.57 |
| Macy O/S 11¾ 91 | 100 | 95⅞ | 96⅜ | 0 | +0½ | 12.65 |
| Mellon Bank 13 87 | 100 | 99⅝ | 100⅛ | +0⅛ | +0⅜ | 13.02 |
| Mitsui Trust Fin. 12 91 | 100 | 95 | 95½ | +0⅜ | +1 | 13.11 |
| Montagu 13⅛ 91 | 100 | 101⅜ | 101⅞ | +0⅛ | +0½ | 12.86 |
| Montreal City 12½ 91 | 70 | 96⅛ | 96⅝ | +0¼ | +1 | 13.33 |
| Mrgn. Guaranty 12⅛ 89 | 150 | 97⅛ | 97⅝ | 0 | +0⅜ | 12.99 |
| Mrgn. Guaranty 12⅜ 88 | 150 | 97¼ | 97¾ | 0 | +0⅜ | 13.09 |
| Newfndland. Prov. 13 91 | 75 | 100¾ | 101¼ | 0 | +1 | 12.69 |
| Nippon Cred. B. 13⅞ 89 | 100 | 102⅝ | 103⅛ | +0⅛ | +0¼ | 12.98 |
| Nippon Tele. 11⅜ 90 | 100 | 97⅜ | 98⅛ | +0⅜ | +0⅛ | 11.86 |
| Nova Scotia Pr. 11⅜ 91 | 100 | 94⅞ | 95⅜ | +0⅛ | +0⅛ | 12.92 |
| Ontario Hydro 11⅝ 94 | 200 | 95⅛ | 95⅝ | +0⅛ | +0⅜ | 12.46 |
| Quebec Hydro 11½ 92 | 100 | †93⅛ | 93⅝ | +0¼ | +0⅜ | 12.84 |
| Quebec Prov. 12¼ 94 | 150 | 96 | 96½ | +0¼ | +0⅞ | 12.94 |
| Rockefeller Gp. 13⅛ 89 | 100 | 103 | 103½ | +0⅛ | +0¼ | 12.25 |
| Royal Bk. Can. 11½ 89 | 100 | 95⅛ | 95⅝ | +0⅛ | +0⅞ | 12.91 |
| Sears O/S Fin. 11⅝ 91 | 150 | 94⅜ | 94⅞ | 0 | +0⅜ | 12.79 |
| S. Pac. O/S Fin. 12 92 | 100 | 93⅛ | 93⅝ | 0 | +0½ | 13.40 |
| SEK 0 94 | 250 | 29⅞ | 30⅜ | +0⅛ | +0⅛ | 12.87 |
| Statoil 12 88 | 100 | 98⅜ | 99⅛ | −0⅛ | +0¼ | 12.30 |
| Statoil 13½ 89 | 100 | 103⅛ | 103⅝ | +0⅛ | +0½ | 12.45 |
| Sumitomo Fin. 12⅜ 91 | 150 | 97⅞ | 98⅜ | +0⅛ | +0½ | 13.15 |
| Sweden Kngdm. 12⅛ 89 | 200 | 98⅛ | 98⅝ | +0⅛ | +0¼ | 12.81 |
| Texaco Capital 12⅞ 87 | 300 | 100⅛ | 100⅝ | +0⅛ | +0 | 12.68 |
| Texaco Capital 13⅛ 89 | 200 | 102⅛ | 102⅝ | +0⅛ | +0¼ | 12.59 |
| Texas Instrs. Int. 11⅞ 91 | 150 | 95⅜ | 95⅞ | 0 | +0¼ | 12.87 |
| Tokyo Met. 12⅞ 94 | 50 | 101⅛ | 101⅝ | +0¼ | +1 | 12.60 |
| Walt Disney Pr. 12½ 87 | 150 | 99⅛ | 99⅝ | +0⅛ | +0⅜ | 12.65 |
| World Bank 11⅜ 89 | 200 | 95½ | 96 | +0⅛ | +0⅜ | 12.67 |
| World Bank 12⅞ 94 | 200 | 100⅛ | 100⅝ | +0⅜ | +0⅜ | 12.79 |
| Yasuda T. & F. 12⅛ 89 | 100 | 97⅛ | 97⅝ | +0⅛ | +0⅜ | 13.13 |

Average price changes... On day +0⅛ on week +0½

| DEUTSCHE MARK STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Allied Chemical 7½ 94 | 125 | 100⅛ | 100⅞ | 0 | −0¼ | 7.40 |
| Amca Intl. 8⅛ 91 | 100 | 102 | 102½ | −0⅛ | +0⅞ | 7.82 |
| ANAS 8½ 91 | 150 | 101½ | 102 | −0⅛ | +0¼ | 8.12 |
| Austria Republic 7⅜ 94 | 200 | 99⅛ | 99⅝ | +0⅛ | −0⅛ | 7.71 |
| Baxter Travenol 7⅛ 94 | 200 | 99⅝ | 100⅛ | −0⅛ | +0⅛ | 7.26 |
| Credit National 8⅛ 94 | 200 | 101 | 101½ | +0¼ | +0½ | 7.92 |
| Degussa Int. Fin. 7⅛ 94 | 100 | 102⅛ | 102⅝ | +0½ | −0⅛ | 7.13 |
| EEC 8 92 | 200 | 100⅞ | 101⅜ | −0⅛ | 0 | 7.78 |
| EIB 8 91 | 250 | 100⅝ | 101⅛ | −0⅛ | 0 | 7.81 |
| ESCOM 8 92 | 150 | 99⅝ | 100⅛ | +0⅛ | −0⅛ | 8.01 |
| Ferrovie Dello St. 8 91 | 100 | 100 | 100½ | 0 | −0⅛ | 7.93 |
| Finland Rep. 7½ 91 | 150 | 98⅜ | 98⅞ | −0⅛ | 0 | 7.70 |
| Gould Int. Fin. 7⅜ 91 | 100 | 101⅜ | 101⅞ | +0⅛ | −0⅜ | 7.29 |
| Int. Standard Ele. 7⅜ 90 | 100 | 101⅜ | 101⅞ | −0⅛ | −0⅞ | 7.03 |
| Ireland 8⅛ 92 | 150 | 101 | 101½ | 0 | +0¼ | 7.89 |
| Japan Fin. Corp. 7⅜ 91 | 100 | 101¼ | 101¾ | +0⅛ | −0⅛ | 7.32 |
| Mogal Fin. 8⅛ 94 | 150 | 100⅞ | 101⅜ | −0⅜ | −0⅛ | 8.06 |
| Mitsbshi. H. 3½ 89 WW | 300 | 101⅝ | 102⅛ | −0⅛ | −0⅛ | 3.04 |
| Mitsbshi. H. 3½ 89 XW | 300 | 90½ | 91 | 0 | +0¼ | 5.91 |
| OKB 7½ 88 | 100 | 99⅝ | 100⅛ | −0⅛ | −0⅛ | 7.53 |
| Pepsico O/S Fin. 7¼ 94 | 250 | 100½ | 101 | 0 | +0⅛ | 7.13 |
| Reynolds O/S F. 7⅜ 94 | 125 | 100½ | 101 | +0⅛ | −0⅛ | 7.38 |
| Soc. Cent. Nuclear 8 91 | 100 | 102⅛ | 102⅝ | +0⅛ | 0 | 7.50 |
| Sth. Africa Rep. 8½ 91 | 200 | 102⅛ | 102⅝ | 0 | 0 | 8.04 |
| World Bank 7⅜ 89 | 100 | 100 | 100½ | 0 | −0⅛ | 7.66 |
| World Bank 8 94 | 200 | 101⅞ | 102⅜ | −0¼ | +0⅛ | 7.66 |

Average price changes... On day 0 on week 0

| SWISS FRANC STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Asian Dev. Bank 6¼ 94 | 100 | †101½ | 101⅞ | −0½ | −0¼ | 6.02 |
| Canada 5⅜ 92 | 200 | †100¼ | 100½ | +0¼ | −0⅛ | 5.18 |
| Consd. Foods 5⅛ 94 | 200 | †102 | 102¼ | −0¼ | −0½ | 5.45 |
| Consd. Press 6⅛ 94 | 200 | †100½ | 100¾ | −0¼ | +0¼ | 6.16 |
| Credit Foncier 6 94 | 120 | †100½ | 100¾ | 0 | −0¼ | 5.91 |
| Electric Power 5⅜ 94 | 100 | †100½ | 100¾ | −0¼ | −0¼ | 5.66 |
| Euroatom 6¼ 94 | 90 | †102¼ | 102½ | −0¼ | −0½ | 5.92 |
| FGH 5⅝ 92 | 110 | †97¾ | 98 | −0¼ | −0¾ | 6.10 |
| GO Int. 6⅝ 92 | 70 | †102 | 102¼ | +1 | 0 | 6.39 |
| Int. Am. Dv. Bk. 6¼ 94 | 120 | †101¼ | 101½ | +0¼ | −0¼ | 6.05 |
| Japan Fin. Corp. 5½ 94 | 100 | †98¼ | 98½ | 0 | 0 | 5.72 |
| Japan Highway 5⅜ 92 | 150 | †98 | 98¼ | −0¾ | −0½ | 5.68 |
| Kansai Ele. Pwr. 6⅛ 92 | 100 | †102¼ | 102½ | +0¼ | +0¼ | 5.73 |
| Manitoba Prov. 5⅝ 94 | 100 | †101¼ | 101½ | 0 | −0¼ | 5.86 |
| Mitsui Fin. Asia 5⅞ 94 | 55 | †98¼ | 98½ | −0⅛ | −0¼ | 6.10 |
| Mount Isa Fin. 5⅝ 94 | 100 | †98¾ | 99 | −0½ | −0½ | 5.90 |
| New Brunswick 5⅝ 94 | 100 | †100½ | 100¾ | −0½ | −0¼ | 5.53 |
| Quebec Hydro 5⅝ 94 | 150 | †102¼ | 102½ | −0½ | −0½ | 5.55 |
| Statsforetag 6 92 | 75 | †100¼ | 100½ | −0¼ | −1 | 5.93 |
| Sweden Kingdom 5⅜ 94 | 125 | †100¼ | 100½ | +0½ | −0¼ | 5.69 |
| Tauernkraftwerke 5½ 94 | 100 | †98 | 98¼ | −0½ | −0¼ | 5.76 |
| Tobu Railway 4 92 WW | 100 | †97 | 97¼ | 0 | −1 | 4.45 |
| Tobu Railway 4 92 XW | 100 | †87 | 87¼ | 0 | 0 | 6.17 |
| Transcanada Pipe 5½ 92 | 100 | †98½ | 98¾ | +1 | −0½ | 5.72 |
| World Bank 6⅛ 94 | 200 | †101½ | 101¾ | +0½ | −0¼ | 5.90 |

Average price change... On day 0 on week −0¼

| YEN STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Asian Dev. Bank 7⅜ 94 | 15 | 99⅛ | 99⅝ | +0⅛ | +0⅛ | 7.44 |
| Eurofima 7⅜ 94 | 10 | 99⅝ | 100⅛ | 0 | 0 | 7.37 |
| Int.-Am. Dv. Bk. 7½ 94 | 15 | 99½ | 100 | +0⅛ | +0¼ | 7.55 |
| New Zealand 7⅛ 90 | 15 | 99⅛ | 99⅝ | +0⅛ | +0⅛ | 7.22 |
| World Bank 7 94 | 20 | 96⅞ | 97⅜ | +0¼ | +0⅛ | 7.42 |

Average price changes.. On day +0⅛ on week +0⅛

| OTHER STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Bq. Indosuez 14 91 C$ | 75 | †100½ | 101 | 0 | +0½ | 13.79 |
| Canadn. Oc. 12⅝ 99 C$ | 60 | †96⅛ | 96⅝ | 0 | +0½ | 12.89 |
| CNE 13 93 C$ | 50 | †97⅞ | 98⅛ | +0⅛ | +0¼ | 13.37 |
| Edmonton 13¾ 89 C$ | 50 | †101½ | 102 | 0 | +0¼ | 13.22 |
| Quebec Hydro 14 91 C$ | 75 | †103⅛ | 103⅝ | 0 | 0 | 13.15 |
| Sears Accept. 14 91 C$ | 50 | †105⅛ | 105⅞ | 0 | +0⅛ | 12.70 |
| Vancouver C. 13 94 C$ | 30 | †100⅞ | 101⅜ | 0 | +0¼ | 12.73 |
| Winnipeg C. 12⅞ 91 C$ | 50 | †98⅝ | 99⅛ | +0⅛ | +0⅛ | 12.97 |
| EEC 11¼ 91 Ecu | 50 | 104⅛ | 104⅝ | −0⅞ | −0⅜ | 10.29 |
| IBJ 11⅜ 89 Ecu | 40 | 104⅜ | 105⅞ | +0⅛ | +0⅛ | 9.91 |
| IIi 11 89 Ecu | 60 | 100⅝ | 101⅛ | +0⅛ | +0¼ | 10.74 |
| Aegon 8⅛ 89 Fl | 100 | 101⅝ | 102⅛ | 0 | 0 | 7.74 |
| Beatrice Foods 8¼ 89 Fl | 100 | 103⅝ | 104⅛ | 0 | +0⅛ | 7.24 |
| Dai-Ichi 8½ 89 Fl | 50 | 101½ | 102 | 0 | 0 | 8.04 |
| New Zealand 8⅛ 89 Fl | 100 | 101½ | 102 | 0 | +0⅛ | 7.78 |
| Rank Xerox F. 8⅛ 89 Fl | 75 | 102⅞ | 103⅜ | −0⅛ | +0⅛ | 7.48 |
| World Bank 8⅜ 89 Fl | 150 | 101 | 101½ | −0⅛ | −0¼ | 7.89 |
| Charbnags. 13⅞ 85 FFr | 400 | 101½ | 102½ | 0 | −0⅜ | 11.85 |
| Air Canada 11⅜ 94 £ | 40 | 95⅜ | 95⅞ | 0 | +0⅞ | 11.88 |
| CNCL Europe 11⅛ 92 £ | 50 | 98 | 98½ | +0⅛ | +0½ | 11.71 |
| Denmark 10⅜ 89 £ | 75 | 96⅛ | 96⅝ | 0 | +0⅛ | 11.76 |
| Denmark 11⅞ 94 £ | 75 | 98⅛ | 98⅝ | 0 | 0 | 12.13 |
| EEC 11⅛ 94 £ | 50 | 98¼ | 98¾ | +0⅛ | +0¼ | 11.62 |
| EIB 10⅛ 92 | 50 | 95⅛ | 96⅛ | +0⅛ | +0½ | 11.59 |
| IBJ 11⅜ 95 £ | 30 | 100⅛ | 100⅝ | +0⅛ | +0¼ | 11.53 |
| Ireland 11⅜ 94 £ | 50 | 94⅝ | 95⅛ | +0⅛ | +0¼ | 12.29 |
| New Zealand 10⅝ 89 £ | 100 | 95⅞ | 96⅜ | +0⅛ | +0¼ | 11.73 |
| OKB 12¼ 91 £ | 30 | 102⅞ | 103⅜ | +0⅛ | +0⅜ | 11.52 |
| Royal Trustco 12⅝ 89 £ | 30 | 102⅞ | 103⅜ | 0 | +0⅛ | 11.33 |
| SNCF 11⅛ 94 £ | 60 | 95⅛ | 95⅞ | +0¼ | +0¼ | 12.02 |
| S. Africa Rep. 12½ 89 £ | 40 | †100½ | 101 | −0⅛ | −0⅛ | 12.24 |
| United Tech. 11⅛ 89 £ | 35 | 101 | 101½ | 0 | +0⅛ | 11.43 |
| World Bank 10⅝ 89 £ | 100 | 96⅛ | 96⅞ | +0⅛ | +0⅜ | 11.58 |
| Electrolux 10 89 LuxFr | 500 | 99 | 100 | +0⅛ | +0⅛ | 10.12 |
| ECSC 10½ 94 LuxFr | 100 | 99⅝ | 100⅝ | 0 | +0¼ | 10.51 |

| FLOATING RATE NOTES | Spread | Bid | Offer | C.dte | C.cpn | C.yld |
|---|---|---|---|---|---|---|
| BBL Int. 5 99 | 0⅛ | 99⅛ | 99⅝ | 11/10 | 11.19 | 11.27 |
| Banca Naz. Agri. 5⅛ 91 | 0¼ | †99⅝ | 99⅞ | 18/2 | 12⅞ | 12.91 |
| Bank of Montreal 5 96 | 0⅛ | 100 | 100⅝ | 27/10 | 11.19 | 11.17 |
| Bankers Trust 5⅛ 96 | 0⅛ | 100⅛ | 100⅝ | 10/11 | 12.06 | 12.03 |
| Barclays O/S In. 5 2004 | 0⅛ | 99⅜ | 99⅞ | 2/3 | 12.31 | 12.34 |
| Belgium 5 2004 | 0⅛ | 99⅝ | 100⅛ | 11/4 | 13⅛ | 13.12 |
| BFCE 5⅛ 99 | 0⅛ | 99⅜ | 99⅞ | 13/3 | 12.19 | 12.22 |
| BFG Fin. 5⅛ 96 | 0⅛ | 99⅛ | 99½ | 1/12 | 12¼ | 12.33 |
| BNP 5⅛ 96 (July) | 0¼ | 100¼ | 100½ | 21/1 | 12.94 | 12.89 |
| Citicorp O/S Fin. 5¼ 96 | 0 | 98½ | 98¾ | 23/10 | 5⅛ | 5.32 |
| Citic'p O/S 5⅛ 96 Sep. | 0⅛ | 99⅜ | 99⅞ | 19/12 | 11.19 | 11.23 |
| Dai-Ichi Kangyo 5⅛ 96 | 0⅛ | 99⅝ | 100⅛ | 10/11 | 12⅛ | 12.13 |
| Dresdner Fin. 5¼ 89 | 0 | 99⅝ | 100 | 23/11 | 12 | 12.02 |
| EDF 5⅛ 99 | 0⅛ | 99⅝ | 100 | 23/2 | 12⅜ | 12.39 |
| Gotabanken 5⅛ 94 | 0⅛ | 99⅛ | 99⅝ | 10/11 | 12.19 | 12.28 |
| Lloyds Euro. 5 2004 | §0⅛ | 99⅛ | 99⅜ | 18/10 | 11.31 | 11.38 |
| Midland Int. Fin. 5 99 | §0⅛ | 99⅛ | 99⅞ | 6/3 | 12⅜ | 12.41 |
| Mt. Bk. Denmark 5⅛ 89 | ‡0⅛ | 99⅞ | 100⅛ | 11/11 | 11⅞ | 11.88 |
| Nat. West. Perp. 5 89 | 0⅛ | 100⅛ | 100⅝ | 10/11 | 12.44 | 12.41 |
| Queensland Coal 5⅛ 96 | 0¼ | 100⅜ | 100⅞ | 9/11 | 11⅜ | 11.56 |
| Sweden Perp. 5⅛ 85 | 0⅛ | 100⅛ | 100⅝ | 9/2 | 13⅛ | 13.17 |
| Takugin 5⅛ 94 | §0½ | 99⅞ | 100⅛ | 15/3 | 12¼ | 12.23 |
| Tokai 5⅛ 99 | 0⅛ | 100⅛ | 100⅝ | 12/12 | 12½ | 12.45 |
| Toyo 5⅛ 99 | 0⅛ | 100⅜ | 100⅝ | 14/12 | 12⅝ | 12.58 |

Average price changes... On day 0 on week +0⅛

| CONVERTIBLE BONDS | Cnv. date | Cnv. price | Bid | Offer | Chg. day | Prem |
|---|---|---|---|---|---|---|
| Ajinomoto 3 99 | 4/84 | 1053 | 96⅞ | 97⅜ | −0⅛ | 0.37 |
| Daiwa Sec. Co. 5½ 96 | 10/83 | 458.9 | †113½ | 114½ | −0¼ | −2.65 |
| Fanuc 3⅛ 98 | 1/84 | 7032 | 164½ | 165½ | −0⅛ | −1.49 |
| Fujitsu 3 99 | 5/84 | 1320 | 102 | 103 | −0½ | 4.37 |
| Honda Motor 5⅛ 98 | 6/83 | 884 | 140⅜ | 141⅜ | +0¼ | 2.78 |
| Konishiroku Ph. 4 98 | 10/83 | 673 | 84⅞ | 85⅞ | −0½ | 3.37 |
| Marui 3½ 99 | 7/84 | 1162 | 90⅛ | 90⅞ | +0½ | 6.31 |
| Minebea Co. 5½ 98 | 5/83 | 667 | 109⅜ | 110⅜ | +0⅞ | 6.82 |
| Mitsubishi Elec. 5⅛ 98 | 6/83 | 396 | 107⅛ | 108⅛ | 0 | 5.86 |
| Murata 3½ 98 | 2/84 | 2351 | 118¼ | 119 | −2⅞ | −0.07 |
| Murata 3½ 2000 | 7/84 | 2398 | 117⅜ | 118⅜ | −2⅛ | 2.34 |
| Nippon Oil Co. 3⅛ 98 | 3/84 | 1062 | 85⅞ | 86⅞ | +1⅜ | 7.91 |
| Nippon Oil Co. 5½ 98 | 4/83 | 964 | 95⅜ | 96⅛ | +1⅜ | 7.90 |
| Nissan Motor 5⅛ 98 | 4/83 | 636.4 | 89⅞ | 90⅞ | +0⅛ | 0.23 |
| OKI Elec. Ind. 3½ 99 | 10/84 | 805 | 101⅜ | 102⅜ | −0⅞ | 4.94 |
| Orient Leasing 5⅛ 98 | 6/83 | 2860 | 125⅛ | 126⅛ | −2⅛ | 4.30 |
| Secom 3⅛ 99 | 10/84 | 5434 | 100⅞ | 101⅞ | −0⅛ | 11.57 |
| Secom 5 98 | 11/83 | 2920 | †172 | 173 | 0 | 5.92 |
| Sekisui House 3 99 | 6/84 | 612 | 88⅜ | 89⅜ | +0⅛ | 2.57 |
| Sumitomo Cpn. 2⅞ 95 | 5/84 | 593 | 90 | 91 | +1⅜ | 3.06 |
| Yamanouchi Ph. 4 90 | 10/83 | 1493 | 113½ | 114½ | −0⅛ | 0.62 |
| Nippon Oil 2⅛ 92 SwFr | 3/84 | 1052 | †107½ | 107¾ | −0½ | 15.27 |
| Nippon Shin. 2 92 SwFr | 3/84 | 801 | †94½ | 94¾ | +0⅛ | 39.04 |
| Settsu Ppr. 2⅛ 92 SwFr | 4/84 | 677 | 147½ | 147⅝ | +6⅛ | −2.36 |
| Asics 5 92 DM | 12/83 | 520 | 102 | 103 | −0⅛ | 14.41 |
| Sum Realty 6⅛ 92 DM | 2/83 | 385 | 156⅛ | 157¼ | −7 | −9.02 |



### EUROBOND TURNOVER

(nominal value in $m)

| | Cedel | Euro-clear |
|---|---|---|
| **U.S. $ bonds** | | |
| Last week | 6,805.3 | 19,241.8 |
| Previous week | 10,835.2 | 23,473.6 |
| **Other bonds** | | |
| Last week | 1,846.4 | 1,456.4 |
| Previous week | 1,983.0 | 2,464.4 |

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week= Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn = The current coupon. C.yld = The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day= Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Akroyd and Smithers; Bank of Tokyo International; Blyth, Eastman, Pain, Webber International; Chase Manhattan; Citicorp International Bank; Credit Commercial de France (Securities) London; Daiwa Europe NV; EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; LTCB International; Merrill Lynch; Morgan Stanley International; Nomura International; Orion Royal Bank; Robert Fleming and Co.; Samuel Montagu and Co.; Scandinavian Bank; Societe Generale Strauss Turnbull; Sumitomo Finance International; S. G. Warburg and Co.; Swiss Bank Corporation International; Wood Gundy.

Closing prices on October 12

# TECHNOLOGY

TELECOM GOLD MAY BE A BOON TO BUSINESSES BUT ITS USE IS OFTEN DIFFICULT

## Demons on the Gold Line

**BY ALAN CANE IN LONDON**

The whole world-wide postal system is an irrelevance unless you have someone to write to.

So it is with electronic mail. Small scale trials of systems like Telecom's "Gold," Istel's "Comet" or ADP's "Automail," for example, are unlikely to give any real idea of the benefits to be gained from the system. After the usual burst of enthusiasm in the first week, interest will almost certainly die away unless there is a real business need to be met by using the system.

Inevitably, that means making it as simple as possible to use the system.

In the accompanying article Ian Hamilton Fazey explains the advantages and difficulties of using British Telecom Gold as a messaging system to send articles from his Liverpool base to the FT in London.

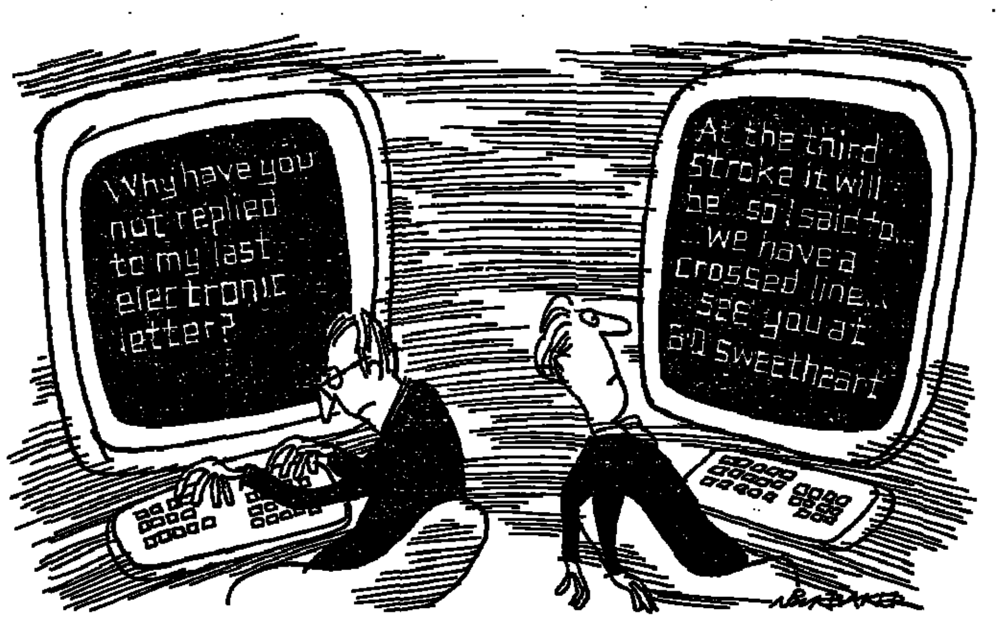
It's quite a performance, and explains why there should be a substantial market for auto-dialling and connection equipment which goes through the whole procedure at the touch of a single key.

Here in London, we've been experimenting with a Tandy 100 portable microcomputer as a terminal linking it to the telephone system by means of an acoustic coupler, a device which converts computer electronic pulse streams into audible tones which can be transmitted conventionally down a telephone line.

It is a fiddly procedure. Are the batteries for the computer and the coupler fully charged? If not, are there enough electrical sockets for the transformers? and so on.

The instruction manual is large—there is a quick reference version but the fact remains: electronic mail, like so many other aspects of office automation, is not a toy or for the dilettante.

Only if the need is genuine is it likely that the customer will be prepared to surmount the problems of making space in his or her working life for a system which can be of great benefit but which is still far from the ease of use of the telephone.




**AND IAN HAMILTON-FAZEY IN LIVERPOOL**

Hello. This is JNL102 here, on System 83. Hope this reaches you all right—I've had a few problems getting "on." This is what is supposed to happen:—

First I write my copy on my Acorn BBC B View word processing chip and save it on disk, giving it unique filename—in this case "Gold." Then I activate my Pace Commstar communications chip, load my copy from disk into the computer and set my computer to get it in step with the Telecom Gold computer in London.

Now comes the bit I can't always guarantee will work. I pick up the phone and dial 211 0000, the number of my local packet switching system (PSS) exchange in Liverpool, where I wrote this. The PSS answers: burr . . . burr . . . click . . . screech. I reach out to a little black box on my desk and press a button labelled "modem connect." The screech changes to a high-pitched whistle.

I press a few keys and the PSS starts asking me questions. I reply with the right combinations of letters and numbers. It requires a total of 23 keystrokes but my fingers respond now with conditioned reflexes to the prompts on the screen. Yes, it will let me talk to Computer 81 today.

Computer 81, somewhere in London, welcomes me and asks for my credentials. I type ID JNL 102—ON SYS83 with a password in the middle. You are supposed to change your password frequently for security. The problem comes if you forget what your latest one is. My current one is the name of one of my dogs. That must be right or you wouldn't be reading this now.

The computer recognises me and switches me over to its colleague No. 83. Lurking there is electronic mailbox No. JNL 102, my new alter persona in this high-tech age. "XMIT TO" I type and a few keystrokes later my copy is whistling, literally, *down the phone to my mailbox.*

"TELEX" I type. "Command:" prompts the Telecom gold djini. I reply: "S GOLD T 8954871. FINTIM G" and minutes later a piece of copy called "gold" is printed out on a telex machine at the Financial Times.

Were it always like that Telecom Gold would be as wonderful. Alas, something goes wrong about as often as most of us get bad phone lines or fail to connect. It takes about 40 seconds to find out if you are wasting a particular phone call and should dial again.

Sometimes, the codes, instructions or numbers you type fail to register or appear on the screen as something else. At other times, the PSS has not let me in or through, so I have had to dial the Gold computer in London direct, or go through PSS in *Manchester, Leeds* or Birmingham at considerably greater cost. On only one of these occasions has the line been good enough for clean data transmission.

Once I had to send a story several times so that different uncorrupted bits could be cut out and pasted up into one complete article. On other occasions only half the copy arrived. Another time my mailbox showed me perfect copy but outputted it to telex in unreadable gobbledygook.

When in difficulty one calls 01-403 6777 and utters a simple, jargon-free: "Help." People at the Help desk are friendy and try hard. "Sorry. Keep trying," is usually the answer if it is British Telecom's fault. (Telecom Gold is an independent company set up with BT's support. It is part of the world-wide dialcom electronic network. The main benefit to BT is more use of the phone lines.)

If you are tempted to try Telecom Gold you will probably find it well worthwhile when it is working well, especially if you join the system as a company with mailboxes for many staff scattered about the country. It enables easy communication through leaving letters, memos and messages in each other's mailboxes. You can send to and receive from abroad too.

You may have to be persistent: It took me several weeks and some old-fashioned string-pulling to get a response to my initial inquiry. The excuse was that growth is so rapid that everyone is rushed off their feet. So come on, all ye of this vast network, mail me electronically on 83:JNL102 so we can assess how it works for you.

SOFTWARE

## Know-how for computer education

AS COMPUTER teachers are often faced with a shortage of training materials, Cardiff teacher Peter Goodman left the *staffroom to form his own software* company, Computer Know-How. It has been in business almost a year and, as well as creating and selling programmes, it runs regular training courses for adults and children.

About 100 hours of programs research has led to the creation of two educational programmes "Designed for seven-11 year olds, the 'Logo' program uses the schools' Logo computer language to create an art game. But the program also has geometrical applications—*angles and degrees must* be understood before each shape is correctly drawn," says Peter Goodman.

"Cesil"—Computer Education in Schools Instruction Language—is one of the languages used in "O" level computer studies courses. To familiarise students with programs in this language, he has developed introductory software. Although written for BBC Micros, both programs can also be used on Commodore, Spectrum and Electron machines.

The company also assesses *the suitability of current* programmes for use in schools. Out of a selection of 300, only 40 have been passed. These range from spelling games for infants, through Geographical mapping programmes to political simulation games for 6th formers and adults.

"Training courses for teachers have been held, but the response has been abysmal." Goodman explains. "Pupils, however, are interested. They come from 20 South Glamorgan schools to learn computing at the Centre, swelling the *number of trainess to* 220. We're also pleased that the female/male ratio has increased from 1 in 10 to 3 in 10."

Interest in the educational applications of computing is also being shown in France, so the centre is devising a software package for a group of French teenagers who will attend an introductory computing course in Cardiff next spring.

BIOTECHNOLOGY

## Fermentation can recover waste metals

WASTE FOODS are already being treated by fermentation methods, but Rod Greenshields of Wales' Biotechnology Centre in Swansea has devised and patented the Mailma fast fermentation system which can also be applied to recover waste metals. "A pilot plant has been built in Malaya, where the system is used to treat palm oil effluence," says Dr Greenshields, "and tests there have shown that Mailma works up to 10 times faster than traditional fermenters. However, it can only treat dilute solutions."

In order to apply the process to metals, the fermenter must contain metal tolerant microbes. A joint research programme with Bristol University led to the discovery of Clado Sporium, a fungus which grows on green leaves near refineries. This was found to be tolerant to cadmium. Later, the Biotechnology Centre Wales found that microbe Aspergillus is also tolerant to metals. As well as digesting metals, these microbes absorb metal waste through contact and, by burning the biomass after it's been through the fermenter, the metal waste can be recovered.

"Micro organisms have enormous potential for future development," Rod Greenshields explains. "At the present, only about 50 are being used scientifically, but there are tens of thousands in existence. They can adapt to most environments, often withstanding harsh conditions beneath and near the boiling water of hot springs." And as the organisms can be found near sources of pollution, they could have a wide application in environmental cleansing schemes.

COMPUTING

## Financial databanks

**AIMED AT the private and professional investor by Investment Research of Cambridge is a financial databank service which at the touch of a few keys will produce the price histories of shares, currencies and stock market indices.**

**Often this sort of information is only available from on-line computer systems, or else has to be obtained and updated manually. The new system makes it available on a floppy disk to anyone with an IBM PC, Apple 2 or 2e, Apricot, Sirius, Commodore 64 or the BBC model B computers.**

**The financial databank runs from January 1981 to the present; updated disks are provided weekly or daily. The user can also update the disk himself.**

**At a cost of £35 per disk, investors can purchase weekly historical data on standard disks covering the major UK shares, indices, currency rates and all the UK traded option shares. A daily version is available at £65 per disk.**

**The company claims that "nowhere else will it be possible to obtain this information on floppy disk so cheaply and with so little effort."**

**More about the disk service, called IRLA, on 0223 356251.**



Design

## Laying out the office

**BUSINESS INTERIORS of Bristol, faced with the problem of showing customers how their organisations might fit into new premises, have developed a computer-aided design system with Hewlett Packard which allows the job to be done on-screen.**

**Previously, much drawing (and re-drawing) time was spent in laying out desks, chairs, computers, partitions and other furniture. With the new system, outlines of all these items can be stored in computer memory and positioned at will on the screen, using a touch sensitive pad.**

**The software allows over 250 drawings, constructed on the screen and stored, to be laid one on top of the other like tracing paper. One might be a ceiling plan, another might show walkway areas, another floor ducting and so on. One, or several can be seen at the same time.**

**On completion, the result is drawn automatically on a plotter in several colours. The system is not offered for sale.**

Finance

## Banking networks

**ACCORDING TO Nixdorf Computer, Midland Bank now has the largest minicomputer-based network in the UK, following a three year programme in which a total of 1,624 branches are being equipped with the German company's 8864 branch controller.**

**The Midland branches are using the computers to support the normal bank office functions including the recording of customer transactions, account status queries and the production of management reports.**

Semiconductors

## Designing silicon chips

**SILICON COMPILERS, a company in California, has introduced a computerised design system with which engineers can perfect the pattern of circuits for the latest generation of electronic chips.**

**With the Genesil silicon development system, the Los Gatos company says workers can describe designs in purely functional terms and then produce the chips themselves in a fraction of the time taken to produce a custom circuit.**

**Over-the-Counter Market**

| Capitalisatn. £000's | Company | Price | Change on week | Gross div.(p) | Yield % | P/E Actual | P/E Fully taxed |
|---|---|---|---|---|---|---|---|
| 6,098 | Ass. Brit. Ind. Ord. ... | 139 | + 1 | 6.3 | 4.5 | 8.1 | 10.6 |
| — | Ass. Brit. Ind. CULS... | 142 | — | 10.0 | 7.0 | — | — |
| 3,126 | Airsprung Group ...... | 54 | — | 6.4 | 11.9 | 5.9 | 7.2 |
| 1,000 | Armitage & Rhodes ... | 40 | — | 2.9 | 7.3 | 5.0 | 8.3 |
| 38,649 | Bardon Hill ............ | 124 | + 2 | 3.4 | 2.7 | 12.5 | 20.8 |
| 2,420 | Bray Technologies ...... | 44 | + 1 | 3.5 | 8.0 | 5.1 | 7.3 |
| 2,172 | CCL Ordinary ........... | 174 | + 1 | 12.0 | 6.9 | — | — |
| — | CCL 11pc Conv. Pref.... | 118 | + 1 | 15.7 | 13.3 | — | — |
| 4,103 | Carborundum Abrasives | 685 | +20 | 5.7 | 0.8 | — | — |
| 1,454 | Cindico Group ......... | 92 | — | — | — | — | — |
| 5,707 | Deborah Services ...... | 73xd | + 1 | 6.5 | 8.9 | 7.0 | 11.2 |
| 15,431 | Frank Horsell ........... | 240 | + 2 | — | — | 9.6 | 12.6 |
| — | Frank Horsell Pr.Ord.87 | 206 | — | 9.6 | 4.7 | 8.3 | 10.8 |
| 3,612 | Frederick Parker ...... | 25 | — | 4.3 | 17.2 | — | — |
| 683 | George Blair ........... | 37 | + 1 | — | — | 2.5 | 5.0 |
| 1,625 | Ind. Precision Castings | 40 | − 6 | 2.7 | 6.8 | 11.0 | 11.8 |
| 15,303 | Isis Group ............. | 200 | — | 15.0 | 7.5 | 7.9 | 14.4 |
| 5,667 | Jackson Group .......... | 112 | + 2 | 4.9 | 4.4 | 5.2 | 10.1 |
| 34,919 | James Burrough ....... | 253 | +11 | 13.7 | 5.4 | 9.0 | 9.0 |
| 3,105 | James Burrough 9pc Pf. | 91 | — | 12.9 | 14.1 | — | — |
| 3,024 | Linguaphone Ord. ...... | 138 | − 7 | — | — | — | — |
| — | Linguaphone 10.5pc Pf. | 96 | — | 15.0 | 15.6 | — | — |
| 12,729 | Minihouse Holding NV | 470 | +10 | 3.8 | 0.8 | 33.8 | 37.0 |
| 388 | Robert Jenkins ........ | 38 | − 4 | 5.0 | 13.2 | — | — |
| 1,800 | Scruttons "A" ......... | 40 | − 2 | 5.7 | 14.3 | 21.0 | 4.9 |
| 2,148 | Torday & Carlisle ...... | 88 | − 1 | — | — | 9.5 | 20.0 |
| 1,963 | Trevian Holdings ...... | 433 | Suspended | | | | |
| 3,219 | Unilock Holdings ...... | 20½ | — | 1.3 | 6.3 | 10.0 | 14.3 |
| 10,481 | Walter Alexander ...... | 82 | − 1 | 7.5 | 9.1 | 6.2 | 9.9 |
| 5,367 | W. S. Yeates ........... | 230 | — | 17.4 | 7.6 | 5.5 | 11.0 |

# UK COMPANY NEWS

## Ulster Television well up at £1.4m

Ulster Television hoisted pre-tax profits from £0.79m to £1.44m in the year ended July 31 1984, following the midway rise from £461,000 to £876,000.

Turnover for the 12 months increased by £2.93m to £14.31m. Advertising revenue at £13.35m was 21 per cent higher than the previous year's £11.04m, reflecting the general growth of ITV advertising revenue in the past year.

Television operating costs rose from £10.87m to £13.24m and an exchequer levy this time took £96,000, leaving television operating profits at £979,000, against £508,000. Pre-tax results included investment income up from £279,000 to £460,000.

Tax of £608,000 (£259,000) gave profits of £833,000 (£528,000) representing earnings per 25p share ahead from 11p to 17.35p. The final dividend is effectively raised from 2.15p to 2.5p net making a total for the year of 4.75p, compared with 4p adjusted for the one-for-one scrip issue.

There was also an extraordinary charge of £550,000 (£52,000 credit) consisting of a provision for deferred tax arising from changes in the corporate tax system contained in the Finance Act 1984. This charge reduced the net balance to £283,000 (£580,000), of which dividends will absorb £226,000 (£192,000).

## Mercantile House

*Oppenheimer and Co.*, U.S. subsidiary of financial services group *Mercantile House Holdings*, suffered a sharp fall in pre-tax profits from $11.01m to $1.3m (£1.06m) in the quarter ended July 31, 1984. After-tax figures declined from $5.7m to $1.2m. Revenues however, were higher at $124.09m, against $88.92m.

## Allebone in profit midway after £0.3m property sales

PROFITS OF £308,000 arising from the sale of properties vacated as a consequence of relocations, converted a £30,000 trading loss into a £258,000 pre-tax profit at Allebone & Sons, Northamptonshire-based footwear manufacturer and retailer.

Turnover moved ahead during this six-month period to July 31 1984 from £6.28m to £7.25m, while the seasonal trading loss was reduced from a previous £97,000.

Losses, including interest, were again incurred both by the retailing side—£11,000 against £72,000—and in manufacturing where there were losses of £39,000 compared with £25,000.

For the year to end-January 1984, the company made taxable profits of £404,000, and in view of the continuing improvement the directors have declared an interim dividend—the first since 1978—of 0.25p per share. Earnings per 10p share were stated at 2.1p, compared with losses of 1.3p.

Mr Alan Allebone, chairman, commenting on the results, says that although retail turnover increased by 17 per cent to £5.2m, trading conditions were generally less buoyant than in 1983. Most of the group's shops in England, and some in Scotland are in areas directly affected by the miners' strike. In many cases, sales in these shops have been significantly below last year's levels, he says.

During the half year the group opened four new shops, and six were relocated.

In addition the chairman says that further increases in the price of leather caused the manufacturing subsidiary to incur another small loss. Efforts to up-grade the product and improve margins are continuing.

Tax took £108,000 (nil) and extraordinary items £5,000. In the corresponding period there was an extraordinary credit of £204,000.

Dividends will absorb £18,000, leaving retained profit up at £127,000 against £107,000.

## Office & Electronic downturn

LOWER pre-tax profits of £1.17m against £1.21m have been produced by Office & Electronic Machines for the first half of 1984. Turnover and profits continue to reflect the highly competitive nature of the office equipment market, says Mr W. F. J. Gardiner, chairman, although a 3.8 per cent increase in operating profits was achieved.

Trading conditions in the micro-computer field are extremely difficult and Mr Gardiner says the directors are continuously reviewing marketing policies in this area.

Turnover of this group which has the sole UK agency for distribution of Adler, Imperial and Triumph electronic typewriters, word processors and related equipment amounted to £13.21m (£13.24m).

The net interim dividend has been held at 2.5p—in the last full year a total of 7.5p was paid from pre-tax profits of £2.13m.

First-half earnings per share are shown as slipping from 11.33p to 10.58p.

The group's main supplier, Triumph-Adler, is introducing new portable and compact typewriters which will become available towards the end of this year. This will allow the group to enter new market sectors.

The OEM Screentyper is now exported to 15 countries and further markets are being developed.

## BIDS AND DEALS IN BRIEF

Mercantoil has agreed on an option to acquire the outstanding 60 per cent of the Associated Offshore-Onshore Services (Singapore, Indonesia, Hong Kong and Malaysia) group. The terms of the agreement provide for the issue of 723,818 Mercantoil shares representing S$3.6m (£1.3m). The acquisition is intended to coincide with the application for listing of Mercantoil shares on the USM, planned for the beginning of 1985.

The over-the-counter market made in the ordinary shares of Mercantoil by Hill Woolgar has been temporarily suspended.

* * *

At 3.00 pm October 11, Tate and Lyle had received acceptances (not withdrawn) in respect of 1.19m Brooke Bond Group ordinary shares (0.38 per cent). These acceptances, together with 2m shares (0.64 per cent) held by Tate prior to the offer announcement, represent 1.02 per cent of the Brooke Bond ordinary share capital. The offer has now lapsed.

Acceptance forms and share certificates or other documents of title will be returned to Brooke Bond shareholders who accepted the offer as soon as possible.

**FINANCIAL TIMES STOCK INDICES**

| | Oct. 12 | Oct. 11 | Oct. 10 | Oct. 9 | Oct. 8 | Oct. 5 | 1984 High | 1984 Low | Since Compilatn High | Since Compilatn Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Government Secs. | 80.95 | 80.46 | 80.70 | 80.76 | 80.96 | 81.00 | 85.77 | 75.72 | 127.4 | 49.18 |
| Fixed Interest...... | 84.94 | 84.50 | 84.62 | 84.71 | 84.77 | 84.70 | 87.48 | 80.43 | 150.4 | 50.53 |
| Industrial Ord...... | 876.0 | 870.6 | 866.8 | 866.2 | 866.6 | 863.2 | 922.8 | 755.3 | 922.8 | 49.4 |
| Gold Mines.......... | 548.0 | 556.2 | 555.9 | 557.6 | 561.8 | 576.9 | 711.7 | 485.7 | 734.7 | 43.5 |
| FT-Act.All.Share.... | 538.25 | 537.15 | 534.98 | 535.44 | 535.83 | 539.29 | 538.25 | 464.84 | 538.25 | 61.92 |
| FT-SE100........... | 1143.7 | 1141.3 | 1136.5 | 1136.6 | 1139.0 | 1135.2 | 1144.1 | 986.9 | 1144.1 | 985.9 |





# RECENT ISSUES

## EQUITIES

| Issue price | Amount paid up | Latest Renunc. date | 1984 High | 1984 Low | Stock | Closing price | + or − | Net Div. | Times covered | Gross Yield | P.E. Ratio |
|---|---|---|---|---|---|---|---|---|---|---|---|
| §116 | F.P. | — | 145 | 136 | ✤Addison Comms. 2p | 145 | +1 | bg2.4 | 3.8 | 1.4 | 27.4 |
| §87 | F.P. | — | 93 | 89 | Appledore(A.&P.)10p | 89 | −1 | bg4.57 | 2.3 | 7.3 | 8.5 |
| §165 | F.P. | 30/10 | 212 | 198 | ✤Brit. Bloodstock..... | 207 | +2 | g7.35 | 2.2 | 5.0 | 11.7 |
| ‖‖ | F.P. | — | 255 | 237 | ✤Checkpoint Europe | 237 | −4 | — | — | — | 42.7 |
| §85 | F.P. | 26/10 | 87 | 84 | ✤Comp. Fin. Servs.5p | 86 | −1 | bg2.0 | 2.5 | 3.3 | 15.3 |
| ¶¶ | F.P. | — | 115 | 100 | Domin'n Int. High Inc. | 115 | ..... | 15.0 | — | 11.9 | — |
| ¶¶ | F.P. | — | 20 | 15 | Do. Warrants... | 19 | ..... | — | — | — | — |
| 105 | F.P. | 5/10 | 150 | 138 | ✤Extract Wool 60p ... | 147 | ..... | bg5.68 | 2.9 | 5.6 | 17.9 |
| ‖‖ | F.P. | — | 39 | 30 | F.&C. Pacific InvWrts | 37 | −1 | — | — | — | — |
| §74 | F.P. | 24/10 | 104 | 78 | ✤Fergabrook 20p ..... | 104 | +1 | b3.2 | 2.5 | 4.4 | 12.8 |
| §47 | F.P. | 2/10 | 49 | 45 | ✤Hoggett Bowers 5p | 45 | ..... | bg10 | 6.1 | 3.1 | 7.6 |
| ¶¶ | F.P. | — | 173 | 155 | Home Counties Hldgs | 155 | ..... | 6.0 | 1.1 | 4.6 | 27.7 |
| ‖‖ | F.P. | 26/9 | 145 | 130 | ✤Ind. Scot. Energy £1 | 140 | ..... | — | — | — | — |
| ‖‖ | F.P. | 16/11 | 102 | 96 | Oldacre 20p............ | 100 | ..... | u4.0 | 2.6 | 5.7 | 8.9 |
| 30 | F.P. | 26/10 | 53 | 31 | ✤Paul Michael L'w 5p | 51 | ..... | T1.25 | 3.0 | 5.5 | 8.2 |
| ¶¶ | F.P. | 24/10 | 7 | 3 | S & U Stores Warrants | 7 | ..... | — | — | — | — |
| §10 | F.P. | 16/11 | 11 | 10 | Second Market Inv.5p | 11 | ..... | — | — | — | — |
| 125 | F.P. | — | 147 | 139 | Stone Intl. 20p......... | 145 | +4 | u4.38 | 2.5 | 4.3 | 14.6 |
| §75 | F.P. | 26/10 | 81 | 76 | ✤TradePromotion10p | 77 | ..... | b3.15 | 2.0 | 5.8 | 12.2 |
| 100 | F.P. | — | 105 | 104 | Wates CityofLon.Prop | 105 | +1 | F2.31 | — | 3.1 | — |
| ¶¶ | F.P. | 12/10 | 85 | 78 | Young (H)............... | 82 | ..... | — | — | — | — |

## FIXED INTEREST STOCKS

| Issue price £ | Amount paid up | Latest Renunc. date | 1984 High | 1984 Low | Stock | Closing price £ | + or − |
|---|---|---|---|---|---|---|---|
| ‖ | F.P. | — | 115 | 107 | ✤Applied Botanics 12% Cnv.Uns.'95/2000 | 108 | ..... |
| §99.00 | F.P. | 10/1 | 12 | 8½ | Bristol Waterworks 11¾% Red.Deb.2004 | 11¼ | +— |
| §99.57 | F.P. | 1/11 | 100½ | 99¾ | Bournemouth Water 8% Red.Prf. 1988 | 99¾ | ..... |
| §99.57 | £10 | 29/11 | 11 | 10¾ | Cambridge Water 8% Red. Prf. 1988 | 10¾ | ..... |
| £100 | £10 | 22/11 | 21 | 10½ | Do. 13% Red. Deb. 2004 | 19½ | +½ |
| §99 | F.P. | 6/12 | 10⅞ | 10 | Essex Water 8% Red. Prf. 1989 | 99 | ..... |
| 90.52 | £30 | — | 31⅝ | 29⅝ | European Inv. Bk. 10⅜% Ln. 2004 | 30½ | +⅛ |
| §100 | £10 | — | 9¼ | 8½ | Folkestone Water 11½% Red. Deb. 1994 | 8½ | ..... |
| 99.161 | £30 | 17/1 | 32⅛ | 28⅝ | Intl. Bk. for Recon. & Dev. 11⅝% Ln. 2003 | 31½ | +¼ |
| §99.199 | £25 | 15/3 | 26½ | 25½ | Lon. Shop Prop. 11⅝% 1st Mort.Deb. 2018 | 26½ | +⅜ |
| §98.152 | £25 | 22/11 | 30¼ | 22 | Marley 11⅞% Deb. 2009 | 30¼ | +¼ |
| — | F.P. | — | 100⅛ | 100 | Nationwide 11% 14/10/85 | 100⅛ | +⅛ |
| 97.006 | £25 | — | 25⅝ | 25¼ | Slough Ests. 11¼% 1st Mort. Deb. 2018 | 25¼ | ..... |
| 91.976 | £20 | — | 20⅝ | 19¾ | Sweden 11% Ln. 2012 | 20⅛ | ..... |
| 100 | F.P. | 26/10 | 118 | 106 | T.V. South 10% Sub. Conv. Ln. 1997 | 118 | ..... |

## "RIGHTS" OFFERS

| Issue price | Amount paid up | Latest Renunc. date ▦ | 1984 High | 1984 Low | Stock | Closing price | + or − |
|---|---|---|---|---|---|---|---|
| 8 | F.P. | 22/11 | 10½ | 8½ | Astra Ind. 10p | 9⅞ | +¼ |
| 155 | Nil | 12/11 | 18pm | 12pm | Avon Rubber £1 | 18pm | ..... |
| 87 | Nil | 16/11 | 14pm | 9pm | LRC Intn'l | 14pm | ..... |
| 38 | F.P. | 31/10 | 57 | 44 | Meggitt 5p | 57 | +1 |
| 200 | F.P. | 7/11 | 565 | 470 | NatWest Bank £1 | 547 | +1 |
| A$0.30 | Nil | — | 9 | 7 | Paringa Mining Units† | 9 | ..... |
| 445 | Nil | 14/11 | 85pm | 68pm | Reckitt & Colman | 78pm | −2 |
| 220 | Nil | — | 66pm | 47pm | ✤Renishaw 5p | 66pm | ..... |
| 150 | F.P. | 23/11 | 195 | 182 | Securicor Group | 192 | ..... |
| 136 | F.P. | 23/11 | 185 | 177 | Do. 'A' N-V | 182 | ..... |
| 142 | F.P. | 23/11 | 195 | 174 | Security Services | 195 | ..... |
| A$0.50 | Nil | 31/10 | 88pm | 72pm | TNT A$0.50 | 88pm | +1 |

Renunciation date usually last day for dealing free of stamp duty. *b* Figures based on prospectus estimates. *d* Dividend rate paid or payable on part of capital; cover based on dividend on full capital. *g* Assumed dividend and yield. *u* Forecast dividend cover based on previous year's earnings. C Canadian. F Dividend and yield based on prospectus or other official estimates for 1985. H Dividend and yield based on prospectus or other official estimates for 1983-84. Q Gross. *p* Pence unless otherwise indicated. ¶ Issued by tender. § Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or take-over. ▦ Allotment letters (or fully-paid). ‖ Introduction. ✤ Unlisted Securities Market. § Placing price. T Figures assumed. † Units comprising one ordinary share and one option.

## PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

| | Date | Announcement last year |
|---|---|---|
| Akroyd and Smithers | Nov 17 | Final 12.5 |
| Allied Irish Banks | Nov 16 | Interim 4.5 |
| Amersham Internatl | Nov 22 | Interim 1.9 |
| *Anglo Am Cpn OFS Goldmines | Oct 18 | Finals due |
| Anglo Amer Corpn SA | Nov 24 | Interim 35c |
| Argyll | Nov 24 | Interim 1.75 |
| Assoc Brit Foods | Nov 7 | Interim 1.6 |
| *Bank of Ireland | Nov 15 | Interim 5.5 |
| Beazer (C.H.) | Nov 8 | Final 6.0 |
| *Bejam | Oct 17 | Final 1.75 |
| Boots | Nov 24 | Interim 2.0 |
| *British Home Stores | Oct 17 | Interim 1.75 |
| *Brooke Bond | Oct 17 | Final 2.85 |
| Brown Shipley | Nov 17 | Interim 3.5 |
| Burnett and Hallamshire | Nov 24 | Interim 4.0 |
| Burton | Nov 22 | Final 6.9 |
| Cable and Wireless | Nov 15 | Interim 2.4 |
| Cater Allen | Nov 8 | Interim 8.0 |
| Chubb | Nov 9 | Interim 1.65 |
| *Dawson Int | Nov 29 | Interim 2.2 |
| *De La Rue | Nov 13 | Interim 6.8 |
| Electro-components | Nov 7 | Interim 1.3 |
| Extel | Nov 24 | Interim 3.0 |
| Ferguson Industrial | Nov 7 | Interim 1.3 |
| *Flight Refuelling | Nov 2 | Interim 0.9 |
| *Gerrard and National | Oct 22 | Interim 3 |
| *Gill and Duffus | Oct 24 | Interim 4 |
| Great Portland Estates | Nov 9 | Interim T.429 |
| Hambros | Nov 21 | Interim 15.25 |
| *Harrisons and Crosfield | Oct 18 | Interim 2.25 |
| *Hawker Siddeley | Oct 17 | Interim due |
| Heath, C. E. | Nov 22 | Interim 5.25 |
| Hepworth (J.) | Nov 2 | Final 3.91 |
| Highland Distilleries | Oct 22 | Final 2.23 |
| Hill (Philip) Inv Trust | Oct 27 | Interim 2 |
| Hill Samuel | Nov 9 | Interim 3.0 |
| Int Signal and Control | Nov 15 | Interim 0.7c |
| Johnson Matthey | Nov 23 | Interim 3.0 |
| Kwik Save Discount | Nov 17 | Final due |
| LRC | Nov 17 | Interim 1.16 |
| LWT | Nov 10 | Final 6.582 |
| Land Secs | Nov 14 | Final 3.3 |
| *London and Northern | Oct 23 | Interim 1.7 |
| *Lucas Inds | Nov 12 | Final 8.0 |
| Marks and Spencer | Nov 2 | Interim 2.05 |
| Metal Box | Nov 22 | Interim 5.81 |
| *Peachey Prop | Oct 16 | Final 3.75 |
| Powell Duffryn | Nov 24 | Interim 5.0 |
| Redland | Nov 24 | Interim 3.325 |
| Reed Internatl | Nov 1 | Interim 5.0 |
| Renold | Nov 24 | Interim nil |
| Rothmans Internatl | Nov 23 | Interim 2.0 |
| Sainsbury (J.) | Nov 9 | Interim 2.4 |
| Sketchley | Nov 15 | Interim 3.6 |
| *Smiths Inds | Nov 13 | Final 7.5 |
| Steveley Inds | Nov 10 | Interim 4.5 |
| Tesco | Nov 16 | Interim 1.5 |
| *UEI | Oct 15 | Interim 2.0 |
| Valor | Nov 10 | Interim 1.074 |
| Whitbread | Nov 8 | Interim 1.85 |
| *Wolseley-Hughes | Nov 6 | Final 10.81 |

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

## UK COMPANY NEWS

# Turriff profits improve to £509,000 in first half

FOR THE half year to end-June 1984 pre-tax profits at Turriff Corporation, Warwick-based engineering contractor, rose from £473,000 to £509,000 on turnover up by £5m to £31.8m.

Stated earnings per 25p share were down from 8.6p to 6.4p. As usual, there is no interim dividend. For 1983 a single 7p was paid on profits of £2.04m.

Mr W. G. Turriff, the chairman, says that traditionally the group's profits come through in the second half, but it would be premature to make a meaningful forecast of the year's results.

However, he says, what is abundantly clear is that into 1985 and beyond, "satisfactory profits" will come through from the service and property activities which are actively expanding in the UK and overseas from a strong financial base.

For the period under review the expected recovery in profits from the group's construction interests failed to materialise, Mr Turriff says, and reserves provided in the 1983 accounts have proved inadequate at the mid-year stage.

As a result, positive action to strengthen management and eliminate unprofitable work has been implemented and is already effective to redress the unsatisfactory results from construction, he adds.

Tax for the half year was up at £153,000 (£95,000), and after minority interests took £72,000 against a credit of £3,000, profit available for distribution stood lower at £284,000 compared with £381,000.

| FIRST HALF | 1984 £000 | 1983 £000 |
|---|---|---|
| Turnover | 31,800 | 26,800 |
| Profit before tax | 509 | 473 |
| Tax | 153 | 95 |
| Net profit | 356 | 378 |
| Minority debit | 72 | 3† |
| Available | 284 | 381 |

† Credit

## Plasmec set for the USM with £3m value

THE latest USM newcomer is Plasmec, a Farnham-based maker of plastic and precision engineering products for the micro-electronic, communications, electrical and automotive industries.

Stockbrokers Hoare Govett will be sponsoring a placing later this month of the 21-year-old group's shares. It is expected that the group will be valued at around £3m and offer a 6 per cent dividend yield.

It makes precious metal contact springs and precision components of metal and plastic for British Telecom and the BBC, as well as complete electrical, optical and mechanical systems for companies like De La Rue and Littlewoods Pools. The Department of Health and Social Security is another customer.

Plasmec, which also produces luxury gift products for major international groups, made £345,000 pre-tax on sales of £6.3m in 1983. In the first half of 1984, profits rose to £195,000 on turnover of £3.7m, and the group will be forecasting a further profits increase for the current year.

The placing proceeds will be used to reduce debt, finance capital equipment, and provide extra working capital. ICFC, a division of Investors in Industry, holds 29.4 per cent of the equity. Its stake will fall to 20 per cent after the placing.

## Satisfactory rise by Helene of London

A satisfactory increase from £254,790 to £381,543 has been achieved in pre-tax profits by Helene of London for the first half of 1984 say the directors. They expect a further increase in the second half, which amounted to £743,633 last time.

The net interim dividend has been held at 0.37p—in the last full year a total of 1.48p was paid. First-half earnings per 10p share were shown as 0.7p (0.6p).

Turnover of this designer and manufacturer of fashion leisurewear, and textile merchant, grew from £5.7m to £8.56m.

## Thurgar Bardex

Pre-interest profits of Thurgar Bardex, maker of plastic products, picked up from £45,000 to £162,000 in the 25 weeks to June 23 1984 and at the pre-tax level, there was a turnround from £83,000 losses to £66,000 profits.

Turnover rose from £4.45m to £5.23m.

## Nolton turns in £0.4m for 15 month period

PRE-TAX profits of *Nolton*, investment holding company, were £404,253 for the 15 months to July 31, 1984, against £225,307 for the previous 12 months. The figures included the profit on disposal of a development property, the consideration for which was £320,000.

The company explains that the reason for extending its accounting period to 15 months was that, at the end of the normal 12 months period, Nolton was engaged in a series of discussions which, if successful, would have resulted in a transaction which would have had a material effect on the group accounts.

In the event, after full and detailed investigation and consideration, the board decided not to proceed with the transaction.

A final dividend of 0.775p net makes a total of 1.375p, against the previous year's 1p. Stated earnings per 25p share on an annualised basis were 6.96p (3.74p).

Group turnover for the 15 months was £8.22m (£5.74m) for 12 months). After tax of £39,700 (£68,500) and extraordinary charges of £36,422 (£42,781) the net surplus came out at £328,131 against £114,026.

## M.P. Kent down at £750,000

A reduction in pre-tax profits from £1.27m to £753,254 has been shown by property developer, M. P. Kent for the year to the end of June 1984. Rental income received moved ahead from £393,894 to £681,742 — the directors say that annual rental income is now just over £1m, with a projected increase to £1.8m over the next 12 months from developments under construction.

Commercial and residential sales decreased from £7.15m to £3.48m.

A net final dividend of 1p gives a total of 1.4p (1.26p).

## FT Share Information

The following securities have been added to the FT Share Information Service:

CalFed Inc. (Section: Americans).

Fuller Smith and Turner (Beers, Wines and Spirits).

Nationwide 10⅞pc 27.8.85 (Loans—Building Societies).

Nationwide 11¼pc 9.9.85 (Loans—Building Societies).

*Closing prices, October 12*

# NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

| 12 Month High | 12 Month Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 23½ | 13¾ | AAR | .48 | 2.1 | 20 | 14 | 22⅞ | 22¼ | 22½ | |
| 22 | 13½ | AMCA | n | 1 | 6.5 | 6 | 15½ | 15½ | 15½ | +¼ |
| 18⅞ | 13⅞ | AMF | .50 | 2.9 | 156 | 303 | 17⅛ | 16⅞ | 17 | +⅛ |
| 41¼ | 24¼ | AMR | | | 4 | 9406 | 29⅜ | 28 | 29⅜ | +1⅛ |
| 20⅞ | 18¼ | AMR | pf2.18 | 11 | | 19 | 19⅝ | 19⅝ | 19⅝ | −⅛ |
| 41½ | 27½ | AMR | pf2.13 | 5.9 | | 2563 | 31 | 30⅛ | 30⅞ | +1 |
| 16¾ | 8½ | APL | | | 4 | 150 | 14 | 13¾ | 13¾ | −⅛ |
| 67¼ | 40⅝ | ARA | 2.10 | 3.1 | 14 | 240 | 67⅞ | 67¼ | 67⅞ | +⅛ |
| 69¼ | 44¼ | ASA | 3a | 5.3 | | 236 | 56⅝ | 55⅞ | 56⅝ | +1¼ |
| 30⅞ | 16½ | AVX | .32 | 1.7 | 12 | 80 | 18⅝ | 18½ | 18½ | |
| 53⅞ | 35¾ | AbtLab | 1.20 | 3.0 | 12 | 4500 | 39½ | 38¾ | 39⅜ | +⅞ |
| 35⅜ | 23¾ | AccoWd | .66 | 2.2 | 18 | 74 | 30⅝ | 30⅛ | 30⅝ | +¼ |
| 27¼ | 12½ | AcmeC | .40 | 2.8 | | 81 | 14½ | 14¼ | 14½ | +⅛ |
| 12⅞ | 8¼ | AcmeE | .32b | 3.1 | 16 | 9 | 10¼ | 10 | 10¼ | +⅛ |
| 24⅝ | 11 | AdmDg | .04 | .2 | 13 | 245 | 24⅛ | 24⅛ | 24⅛ | +⅛ |
| 18¼ | 15 | AdaEx | 2.11e | 13 | | 35 | 16⅝ | 16½ | 16½ | −⅛ |
| 18⅝ | 11⅞ | AdmMl | .28 | 1.9 | 10 | 16 | 14⅛ | 14⅛ | 14⅛ | +⅛ |
| 22 | 13½ | AdvSys | .91t | 4.7 | 16 | 678 | 17⅝ | 17¼ | 17¼ | +⅛ |
| 41⅛ | 25⅝ | AMD | | | 15 | 5127 | 35¼ | 34¼ | 34¾ | +⅜ |
| 14⅝ | 7⅞ | Advest | .12 | 1.4 | | 70 | 8⅝ | 8⅜ | 8½ | −⅛ |
| 17⅞ | 9⅝ | Aeflex | | | 11 | 33 | 11⅞ | 11⅝ | 11⅝ | |
| 39 | 27¼ | AetnLf | 2.64 | 7.5 | 33 | 1486 | 35¾ | 35⅛ | 35¼ | +¼ |
| 58¼ | 52⅜ | AetL | pf5.78e | 11 | | 15 | 53 | 53 | 53 | +⅛ |

Continued on Page 23

# AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

*Closing prices, October 12*

Continued on Page 24

# NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 22

X–Y–Z

| 12 Month High | Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 52½ | 33¼ | Xerox | 3 | 8.1 | 10 | 2096 | 37¼ | 36⅝ | 37⅛ | +⅛ |
| 51⅛ | 45¼ | Xerox | pf5 45 | 11 | | 9 | 47½ | 47½ | 47½ | +⅛ |
| 37 | 19 | XTRA | | 2.4 | 9 | 76 | 26⅛ | 25⅝ | 25⅝ | +⅛ |
| 33⅜ | 24 | ZaleCp | 1 32 | 4.9 | 9 | 27 | 27 | 26½ | 27 | +½ |
| 24⅝ | 15¼ | Zapata | 84 | 4.6 | 13 | 556 | 18⅝ | 18¼ | 18⅜ | |
| 48 | 28¾ | Zayre | 40b | 9 | 13 | 256 | 45 | 44 | 45 | +1¼ |
| 38⅝ | 20 | ZenithE | | | 9 | 667 | 24⅝ | 24½ | 24⅝ | +⅛ |
| 27⅝ | 18 | Zero | s .35 | 1.6 | 16 | 19 | 22⅛ | 21¾ | 22⅛ | +⅛ |
| 34 | 21⅛ | Zurnin | 1.32 | 5.6 | 12 | 171 | 23¾ | 23 | 23½ | |

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–when distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

# WORLD STOCK MARKETS

## OVER-THE-COUNTER

*Nasdaq national market, Closing prices, October 12*

Continued on Page 25

## AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 23

## CANADA

WE regret our usual Canadian listings were not available for this edition due to a computer failure.

## AUSTRIA

## BELGIUM/LUXEMBOURG

## DENMARK

## FRANCE

## GERMANY

## ITALY

## NETHERLANDS

## NORWAY

## AUSTRALIA

## SWEDEN

## SINGAPORE

## SWITZERLAND

## SOUTH AFRICA

## HONG KONG

## JAPAN

## SPAIN

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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# WORLD STOCK MARKETS

## OVER-THE-COUNTER

Continued from Page 24

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## Indices

### NEW YORK

DOW JONES

| | Oct. 12 | Oct. 11 | Oct. 10 | Oct. 9 | Oct. 8 | 1984 High | 1984 Low | Since Compiltn High | Since Compiltn Low |
|---|---|---|---|---|---|---|---|---|---|
| Industri'ls | 1190.70 | 1183.66 | 1177.25 | 1176.15 | 1177.89 | 1286.64 (6/1) | 1086.57 (24/7) | 1287.7 (19/11/83) | 41.22 (2/7/32) |
| H'me Bnds | 69.37 | 69.32 | 69.45 | 69.39 | 69.39 | 71.76 (6/2) | 64.81 (25/5) | — | — |
| Transport.. | 517.40 | 513.96 | 510.63 | 508.48 | 513.42 | 612.63 (9/1) | 444.05 (25/7) | 612.63 (9/1/84) | 12.32 (8/7/32) |
| Utilities..... | 140.75 | 138.80 | 138.28 | 138.18 | 138.64 | 148.75 (12/16) | 122.25 (15/6) | 163.72 (20/4/69) | 10.5 (28/4/42) |
| TradingVol 000's | 92,190 | 87,020 | 94,270 | 75,840 | 45,360 | — | — | — | — |

Day's High 1198.43 (1159.93) low 1181.10 (1170.61)

| | Oct. 5 | Sept. 28 | Sept. 21 | year ago (approx) |
|---|---|---|---|---|
| Industrial div. yield % | 4.88 | 4.78 | 4.81 | 4.38 |

STANDARD AND POORS

| | Oct. 12 | Oct. 11 | Oct. 10 | Oct. 9 | Oct. 8 | 1984 High | 1984 Low | Since Comp'tn High | Since Comp'tn Low |
|---|---|---|---|---|---|---|---|---|---|
| Indust'ls. | 164.72 | 163.25 | 162.64 | 162.19 | 162.77 | 191.24 (17/9) | 167.74 (24/7) | 194.84 (10/10/83) | 3.62 (30/6/32) |
| Comp's'te. | 164.18 | 162.78 | 162.11 | 161.67 | 162.13 | 169.28 (6/1) | 147.82 (24/7) | 172.15 (10/10/83) | 4.40 (1/6/32) |

| | Oct. 10 | Oct. 3 | Sept. 26 | year ago (approx) |
|---|---|---|---|---|
| Industrial div. yield | 4.10 | 4.09 | 3.95 | 3.86 |
| Industrial P/E ratio | 10.47 | 9.52 | 10.79 | 14.73 |
| Long Gov. Bond yield | 12.16 | 12.35 | 12.28 | 11.57 |

N.Y.S.E. ALL COMMON

| Oct. 12 | Oct. 11 | Oct. 10 | Oct. 9 | 1984 High | 1984 Low |
|---|---|---|---|---|---|
| 94.79 | 93.97 | 93.57 | 93.36 | 97.71 (6/1) | 85.13 (24/7) |

Rises and Falls

| | Oct. 12 | Oct. 11 | Oct. 10 |
|---|---|---|---|
| Issues Traded | 1,987 | 1,933 | 1,948 |
| Rises | 1,055 | 964 | 695 |
| Falls | 488 | 532 | 759 |
| Unchanged | 444 | 437 | 494 |
| New Highs | 52 | 28 | 25 |
| New Lows | 13 | 18 | 31 |

| TORONTO | Oct. 12 | Oct. 11 | Oct. 10 | Oct. 9 | 1984 High | 1984 Low |
|---|---|---|---|---|---|---|
| Metals & Minerals | 1962.4 | 1934.1 | 1926.9 | 1933.2 | 2524.4 (12/1) | 1641.2 (25/7) |
| Composite | 2386.70 | 2385.6 | 2357.8 | 2357.0 | 2585.7 (6/1) | 2079.7 (24/7) |
| MONTREAL Portfolio | 117.25 | 115.94 | 115.42 | 115.32 | 127.83 (10/1) | 100.36 (24/7) |

| | Oct. 12 | Oct. 11 | Oct. 10 | Oct. 9 | 1984 High | 1984 Low |
|---|---|---|---|---|---|---|
| AUSTRALIA | | | | | | |
| All Ord. (1/1/80) | 749.1 | 746.4 | 742.5 | 742.6 | 787.8 (8/1) | 646.5 (18.6) |
| Metal & Minls. (1/1/80) | 450.1 | 448.8 | 445.2 | 448.6 | 567.4 (6/1) | 404.9 (24/7) |
| AUSTRIA | | | | | | |
| Credit Aktien (2/1/62) | 56.24 | 56.27 | 56.23 | 56.21 | 56.51 (5/10) | 56.20 (15/8) |
| BELGIUM | | | | | | |
| Belgian SE (31/12/63) | 168.85 | 162.84 | 161.98 | 162.15 | 163.58 (14/9) | 135.28 (4/1) |
| DENMARK | | | | | | |
| Copenhagen SE (3/1/83) | 171.24 | 169.77 | 169.01 | 170.92 | 225.21 (20/1) | 167.1 (2/10) |
| FRANCE | | | | | | |
| CAC General (31/12/82) | 181.8 | 182.1 | 182.0 | 181.7 | 182.1 (11/10) | 155.6 (3/1) |
| Ind Tendance (30/12/83) | 117.0 | 117.5 | 117.7 | 117.6 | 117.8 (8/10) | 99.4 (3/1) |
| GERMANY | | | | | | |
| FAZ Aktien (31/12/58) | 369.32 | 368.04 | 366.25 | 366.75 | 370.84 (2/2) | 317.17 (25/7) |
| Commerzbank (1/12/53) | 1074.5 | 1070.2 | 1066.5 | 1069.0 | 1098.5 (2/2) | 917.7 (25/7) |
| HONG KONG | | | | | | |
| Hang Seng Bank (31/7/64) | 986.14 | 978.78 | 965.73 | 982.38 | 1170.35 (19/5) | 746.02 (13/7) |
| ITALY | | | | | | |
| Banca Comm Ital. (1972) | 211.50 | 211.30 | (u) | 210.75 | 229.57 (1/2) | 192.08 |
| JAPAN** | | | | | | |
| Nikkei-Dow (16/5/49) | 10884.5 | 10686.8 | (c) | 10668.7 | 11,190.17 (4/5) | 9703.35 (23/7) |
| Tokyo SE New (4/1/68) | 828.70 | 828.68 | (c) | 830.75 | 876.62 (2/4) | 750.45 (4/1) |
| NETHERLANDS | | | | | | |
| ANP-CBS General (1970) | 178.2 | 178.2 | 177.6 | 177.0 | 178.8 (1/2) | 148.8 (24/7) |
| ANP-CBS Indust (1970) | 140.1 | 140.0 | 138.7 | 138.5 | 147.2 (1/2) | 118.7 (18.6) |
| NORWAY | | | | | | |
| Oslo SE (4/1/83) | 255.80 | 254.19 | 254.65 | 256.10 | 296.70 (9/5) | 221.67 (4/1) |
| SINGAPORE | | | | | | |
| Straits Times (1966) | 854.76 | 857.14 | 857.59 | 856.59 | 1071.91 (8/2) | 854.76 (12/10) |
| SOUTH AFRICA | | | | | | |
| Gold (1958) | 997.9 | (u) | (c) | 1014.3 | 1075.6 (5/6) | 738.1 (24/1) |
| Industrial (1958) | 960.7 | (u) | (c) | 858.4 | 1105.6 (26/8) | 853.5 (19/9) |
| SPAIN | | | | | | |
| Madrid SE (30/12/83) | (c) | 149.82 | 151.05 | 153.39 | 154.51 (8/10) | 101.02 (3/1) |
| SWEDEN | | | | | | |
| Jacobson & P. (1/1/58) | 1461.77 | 1462.52 | 1451.38 | 1448.99 | 1594.5 (3/2) | 1,388.00 (29/5) |
| SWITZERLAND | | | | | | |
| SwissBank Cpn. (31/12/58) | 374.1 | 373.8 | 373.6 | 373.5 | 388.5 (3/1) | 354.5 (25/7) |
| WORLD | | | | | | |
| Capital Intl. (1/1/70) | — | 180.6 | 180.3 | 180.4 | 190.8 (3/5) | 164.6 (24/7) |

** Saturday October 6: Japan Nikkei-Dow 10,711.0. TSE 836.32.

Base values of all indices are 100 except Australia All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials. § 400 Industrials plus 40 Utilities. 40 Financials and 20 Transports. c Closed. u Unavailable.

### NEW YORK ACTIVE STOCKS

| Friday | Stocks traded | Closing price | Change on day | | Stocks traded | Closing price | Change on day |
|---|---|---|---|---|---|---|---|
| Puget Sound | 2,069,100 | 12½ | − ⅛ | Mobil | 944,800 | 29⅜ | + ⅛ |
| Central & S.W. | 1,509,900 | 20⅞ | + ⅛ | Motorola | 910,600 | 34⅛ | − ⅛ |
| IBM | 1,200,800 | 121⅞ | +1⅜ | ITT | 830,200 | 30 | − ⅛ |
| Exxon | 1,000,600 | 45⅛ | − ⅛ | Toledo Ed. | 826,500 | 17⅛ | + ⅛ |
| ATT | 957,000 | 18½ | + ⅛ | AMR Corp. | 800,900 | 29⅛ | +1⅛ |

# APPOINTMENTS

## Diners Club marketing director

Mr William Blauw has been appointed marketing director, DINERS CLUB INTERNATIONAL for the UK and Ireland. Mr Blauw joins from Diners Club Netherlands, where he was sales and marketing director.

★

MIRROR GROUP NEWSPAPERS. Mr Colin McCaltchie has become circulation director for the Scottish Daily Record and Sunday Mail. He held several senior posts with Thomson Regional newspapers before joining MGN earlier this year. Mr Gordon R. Terris, who has been appointed advertisement director, joined the company 11 years ago as an advertising representative.

★

Mr Gordon Stinton, chairman of Marlow-based MARITZ EUROPEAN OPERATIONS, will be taking early retirement on May 31 1985. Mr Brian D. Alexander, formerly chairman and managing director of Maritz UK Limited, has become chairman of the European Operation. Mr Stinton will serve as president during his remaining months with the organisation. Maritz UK Limited, shortly to be renamed Maritz Limited, has restructured the company into three operating divisions: Maritz Motivation (incorporating Maritz Travel) with Mr John R. Chalker as managing director; Maritz Communications with Mr Quentin W. A. Baron as managing director; and Maritz Group Services with Mr Martin J. Crawford-Phillips as managing director.

★

CANVERMOOR, soft drinks manufacturer, has appointed two non-executive directors: Mr R. G. Newbery whose experience includes The First Charlotte Assets Investment Trust; and Mr K. C. Roberts, who has taken early retirement from John Smith's Brewery at Tadcaster, part of the Courage Group, where he was free trade sales director.

★

Mr Michael Gaine has been promoted from manager to director of the international division of TR International (Chemicals).

★

Mr Tony Prior, of Prior Harwin Securities, has been appointed to the board of FIRST VENTURE CAPITAL CORP. He replaces Mr Montague Weltzmann who is retiring due to ill health.

★

Mr H. W. A. Francis, will be retiring from the board of TRAFALGAR HOUSE on December 31. He will then act as a consultant to the Trafalgar Group and remain a non-executive director of Trafalgar House Oil and Gas. Mr Francis becomes vice president of The Institution of Civil Engineers on November 7.

★

IMPERIAL FOODS has appointed two directors to its frozen food board of management, which is responsible for the businesses of Ross Foods and Young's Seafoods. Mr David Webb, who is head of manufacturing with the medical group of Unilever, joins the board as operations director, responsible from November 26 for frozen food manufacturing. Mr Wynne Griffiths, divisional director of the food services division of Carnation Foods, becomes catering business director on November 1.

★

BANK OF NEW ENGLAND N.A. has recently up-graded its London representative office to licensed deposit taker status and has named Mr John D. Dorman as its general manager. The branch will concentrate on wholesale business, particularly in the treasury and lending areas. The London office of BNE represents the bank's first fully operational overseas office.

★

Mr Paul E. Thompson has resigned as managing director of DEAN WITTER FUTURES. Mr Juan De Madariaga and Mr George J. W. Clow have been appointed directors.

★

Mr Harry Grocock, currently the BBC's chief accountant, radio, has been appointed controller, resources development, radio, from a date still to be fixed. He joined the BBC from the National Coal Board in 1972 as head of finance and costing services, radio. He was appointed chief accountant in 1977.

★

Mr Richard Overend has been appointed to the board of BULLOUGH as financial director upon the retirement of Mr Trevor Brooks. Mr Overend was previously financial director of Rediffusion.

★

ASSOCIATED BRITISH CATERING EQUIPMENT DISTRIBUTORS has appointed Mr Lewis A. Napleton as group marketing director. ABCED is a wholly-owned subsidiary of Associated British Engineering Group.

★

Mr John Robson has become managing director of FEEDEX AGRICULTURAL INDUSTRIES. He was managing director of Sterling Coated Materials, an RTZ Chemicals company.

★

From January 1 1985, Mr D. Town, group marine manager of Phoenix Assurance, becomes group marine manager of the SUN ALLIANCE GROUP in succession to Mr J. D. Russell-Taylor, who is retiring. Mr Russell-Taylor will retain his seat on the board.

## WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
AGB Research, London International Press Centre 76 Shoe Lane, EC, 12.00
Gilbert House Investments, Mayfair Hotel, Berkeley Street, W, 12.00
Intereurope Technology Services, Ladbroke Mercury Hotel, Bagshot Road, Bracknell Berkshire, 11.30
Nesco Investments, Friendly House 21-24, Chiswell Street, EC, 12.00

BOARD MEETINGS—
Finals:
Armour Tst
Bryant
Fisher (Albert)
Medminster
Rand Mines
Interims:
Bonusbond
Gates (Frank G.)
Michelin Tyre
UEI

DIVIDEND & INTEREST PAYMENTS—
AAH 3.751p
APS Finance Company NV 17¼pc Gtd Debs 1986 8⅝pc
Alexander and Alexander Services 11pc Cnv Sub Debs 2007 5½pc
Arbuthnot Government Secs Tst Ptg Red Pf 2.75p
Babcock Intnl 3.7p
Bell Canada Enterprises 54.5cts
Blue Circle 8p
Boddingtons Breweries 1.25p
British Assets Tst 4½pcPf 1.575p
Do A 5pcPf 1.75p
Brooke Tool Eng 17pc Cnv Pf 4.25p
Chrysler Corp 25cts
Citicorp Overseas Finance Corp NV Gtd Fltg Rate Nts 1982 $316.6
Do 16¼pc Gtd Nts 15.10.86 8⅛pc
Clark (Matthew) 8p
Conder 0.75p
Cook (William) (Sheffield) 1.5p
Corah 1.6p
Finland 11½pcLn 2009 (Reg) 4.279pc
Flour 10cts
Goode Durrant and Murray 3.5pcPf 0.875p
Greggs 1.4p
Johannesburg Cons Inv (Reg) 274.5334p
Ladies Pride 0.5p
Linread 1p
Flour 10cvts
Goode Durrant and Murray 3.5pcPf 0.875p
Greggs 1.4p
Johannesburg Cons Inv (Reg) 274.5334p
Ladies Pride 0.5p
Linread 1p
McLeod Russel 8.4pc Cnv Red Pf 4.2p
Manders 5pcPf 1.75p
Merton 11¼pc Red 2017 5⅝pc
Met Water Southwark and Vauxhall Water Deb 3pcDb 1½pc
Mid Wynd Intnl Inv Tst 1.1p
Morgan (J. P.) 100cts
Motorola 16cts
Norcros 15¼pcDb 1990-95 7⅝pc
Occidental Petroleum 0.625cts
Opperman 7¼pcDb 1987-92 3⅝pc
Pacific Gas and Electric 43cts
Polytechnic Marine 2p
Quaker Oats 62cts
Rexmor 13pc Cnv Red Pf 1991-92 6.5p
Richards 4pcPfd 1.4p
Do 5¼pcPfd 1.44375p
Scandinavian Finance BV Fltg Rate Serial Nts 1993 $584.55
Sea Containers 52.5cts
Slough Estates 1.8p
Treasury 5pc 1986-89 2½pc
Vibroplant 5p
Watney Mann and Truman 6pc Red Db 1989-94 3pc
Wight Collins Rutherford Scott 2.75p

TOMORROW

COMPANY MEETINGS—
Comoco, 7 Albyn Place, Edinburgh, 11.00
Howard Shuttering, The Worcester, Malden Road, Worcester Park Surrey, 10.30
Nova (Jersey) Knit, Connaught Rooms, Great Queen Street, WC, 11.00
Ricardo Consulting Engineers, St Ermin's Hotel, Caxton Street, SW, 12.00

BOARD MEETINGS—
Finals:
Cradley Print
Five Oaks Inv
Paterson Zochonis
Peachey Property
Interims:
Air Call
Feb Intnl
Harrisons and Crosfield
Hunting Petroleum Services
Lawrence (Walter)

DIVIDEND & INTEREST PAYMENTS—
Co-Ban Eurofinance BV Gtd Fltg Rate Nts 1991 $290.70
Compco 4.3p
Swansea 13¼pc Red 2006 6⅝pc
Treasury 2½pc IL 2020 £1.3137

WEDNESDAY OCTOBER 17

COMPANY MEETINGS—
Armitage Brothers, Armitage House Colwick, Nottingham, 11.00
Douglas (Robert M.), Shenstone House, 395, George Road, Erdington, Birmingham, 12.00
Hampton Trust, Great Eastern Hotel, Liverpool Street, EC, 12.00
Parkfield Foundries, Great Western Hotel, Praed Street, Paddington, W, 2.30
Stewart Plastics, Cantord Works, Purley Way, Croydon, 11.00

BOARD MEETINGS—
Finals:
Belam
Eleco
Old Court Intnl Reserves
TSW-Television South West
Interims:
British Home Stores
Brooke Bond
City of Oxford Inv Tst
Duport
Edmond
Energy Services and Electronics
Hanover Invs
Hawker Siddeley
Marshall's Universal
Scottish Mortgage and Trust
Securities Trust of Scotland
Smith St Aubyn
United Parcels
Wettern Brothers

DIVIDEND & INTEREST PAYMENTS—
Armitage Bros 12.5p
Canadian Pacific Enterprises 20cts
Charterhouse Petroleum 0.25p
Collins (William) 4p
Do "A" NV 4p
Howard Shuttering 0.75p
London United Invs 5p
Moray Firth Maltings 1.75p
Nova (Jersey) Knit 0.5p
Petrocon 1.75p
Sekers Intnl 1p
Steetley 4.5p
Stewart Plastics 1.6367p

THURSDAY OCTOBER 18

COMPANY MEETINGS—
Estates Property Investment, Armourers' Hall, 81 Coleman Street, EC, 12.00.
Fleming Japanese Inv Tst, P&O Building, 122, Leadenhall Street, EC, 12.00
Moray Firth Exploration, 58, St James's Street, SW, 9.30
Newmark (Louis), 143/149, Great Portland Street, W, 12.00
Rotaprint, Cumberland Road, NW, 11.30
Saville Gordon (J.), Midland Hotel, New Street, Birmingham, 12.00
Smith Whitworth, St James's House, Charlotte Street, Manchester, 12.00
Telefusion, Connaught Rooms, Great Queen Street, WC, 12.00

BOARD MEETINGS—
Finals:
Free State Geduld Mines
Lyles (S.)
President Brand Gold Mining
President Steyn Gold Mining
SI
Tyzack (W.) Sons and Turner
Walker and Homer
Welkom Gold Mining
Western Higgs
Interims:
Anchor Chemical
Anglo-Indonesian
East Rand Gold and Uranium
Greenbank Industrial
London Atlantic Inv Tst
MY Dart
Selincourt
Silentnight
Smaller Companies Intnl Tst

DIVIDEND & INTEREST PAYMENTS—
Brammer 2.5p
Douglas (Robert M.) 1.375p
Garfunkels Restaurants 0.43p
General Mining Union Corp 26.27618p
Do 8.5pc Var Comp Cnf Pf 13.37697p
Do 12.5pc Uns Sub Cnv Dbs 19.58770p
Lloyds Eurofinance NV Gtd Fltg Rate Nts 2004 $287.53
Nova Scotia 11¼pcLn 2019 £2.5355
Queens Moat Houses 0.665p
Quick (H. and J.) 0.6p
Raglan Property Trust 0.085p
Strikes Restaurants 0.5p
Treasury 9½pc Cnv 1989 £3.9895

FRIDAY OCTOBER 19

COMPANY MEETINGS—
Celtic Haven, Park Hotel, Cardiff, 12.00
Deborah Services, 27/28, Lovat Lane, EC, 12.00
Heath (Samuel), Cobden Works, Leopold Street, Birmingham, 10.00
Land Investors, Churchill Hotel, Portman Square, W, 12.00

BOARD MEETINGS—
Finals:
Lowland Inv
North Sea Assets
Interims:
Barlows
Fortnum and Mason
Forward Technology
Lake View Inv Tst
Scottish Television

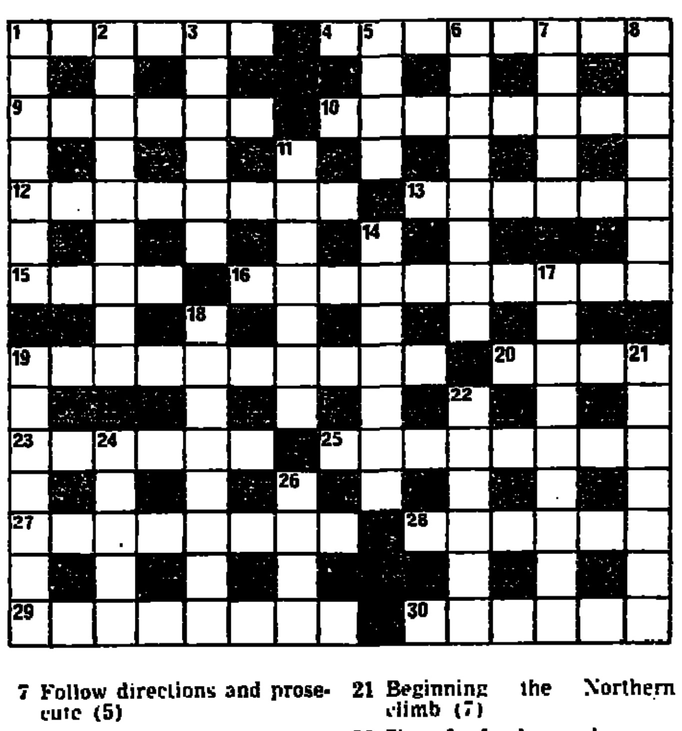
DIVIDEND & INTEREST PAYMENTS—
Alliance Tst 5p
Do 4pcPf 1.4p
Do 4¼pcPf 1.4875p
Do 5pcPf 1.75p
Bairstow Eves 0.0805p
Bestobell 5.7p
Caledonian Asscd Cinemas 4.9pcPf 2.45p
Celtic Haven 0.5p
Church 3p
Framlington 6p
Hartons 0.385p
Heath (Samuel) 22p
Holt (Joseph) 3p
Hyman (I. and J.) 0.5p
Industries Penoles SA De CV Fltg Rate Nts 1989 $332.22
Johnstone's Paints 1.765p
Lec Refrigeration 4p
Longton Industrial 2p
Newmark (Louis) 7.5p
Pleasurama 2.5p
Ricardo Consulting Engineers 1.625p
Saville Gordon (J.) 2.62p
Second Alliance Tst 9.25p
Do 4½pcPf 1.575p
Wagon Finance 0.875p
Wells Fargo 54cts
Yule Catto 2.25p

# AUTHORISED UNIT TRUSTS

# FT UNIT TRUST INFORMATION SERVICE

# INSURANCES

## F.T. CROSSWORD PUZZLE No. 5,543



### ACROSS

1 Capers used in making pickle (6)
4 Light thread? (8)
9 Involve in late changes (6)
10 He works so that others may play (8)
12 Where you could have a date with a ship (8)
13 Coin embedded in a vegetable (6)
15 A love outwardly secure (4)
16 Share out is tried but as an alternative (10)
19 An impressive thing to wear (6, 4)
20 Disorientated Indo-European god (4)
23 Call for superior judgment (6)
25 Asks how paper may be sold (8)
27 How a bright idea comes to you? (2, 1, 5)
28 Agrees to make a film musical (6)
29 Discuss when the lecture's finished? (4, 4)
30 Second importance (6)

### DOWN

1 Boards with relative by marriage (7)
2 Keeping it in range, perhaps (9)
3 A sorry state, but showing promise (6)
5 A club with lofty aims (4)
6 Order a sweet (5, 3)
7 Follow directions and prosecute (5)
8 Housing row (7)
11 Repairs broken weapons (7)
14 Making up for gain not correctly acquired (7)
17 Promise to look after one's funeral? (9)
18 Gaoler is agitated in the harem (8)
19 French friends set out in poor visibility (3, 4)
21 Beginning the Northern climb (7)
22 Size of a book or volume on love (6)
24 A gem looks right in a ring (5)
26 Manly detachment? (4)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

# INSURANCE, OVERSEAS & MONEY FUNDS

## OFFSHORE AND OVERSEAS

## Money Market Trust Funds

| | Nom | Apr | Int. Cr | Notice |
|---|---|---|---|---|
| **Mallinhall Ltd** 36 Berkeley Sq, W1X 5DA. 01-499 6634 | | | | |
| M'hall Mny Fd | 9.88 | 10.27 | Qtrl | Call |
| **The Money Market Trust** 63 Qn Victoria St, EC4N 4ST. 01-236 0952 | | | | |
| Call Fnd. | 10.71 | 11.07 | +0.10 | Call |
| 7-day Fnd. | 10.53 | 10.88 | +0.04 | 7-day |
| **Oppenheimer Money Management Ltd** 66 Cannon St, EC4N 6AE. 01-236 1425 | | | | |
| Call Fnd. | 10.64 | 10.92 | 6-mth | Call |
| 7-day Fund | 10.25 | 10.51 | 6-mth | 7-day |
| Money Mngt. Acct. | 10.37 | 10.79 | 3-mth | Call |
| Dollar | 8.75 | 8.94 | 6-mth | 2-day |

## Money Market Bank Accounts

| | Nom | APR | Int. Cr | Notice |
|---|---|---|---|---|
| **Aitken Hume** 30 City Road, EC1Y 2AY. 01-638 6070 | | | | |
| Treasury Acc | 10.175 | 10.78 | Qtrl | Call |
| Monthly Inc. Chq. Acc. | 10.25 | 10.74 | Mthl | Call |
| **Bank of Scotland** 38 Threadneedle St, EC2P 2EN. 01-628 8060 | | | | |
| Cheque Acc | 10.10 | 10.58 | Mthl | Call |
| **Barclays Prime Account** PO Box 125, Northampton 0604 252891 | | | | |
| High Int. Cheque | 10.00 | 10.38 | Qtrl | Call |
| **Britannia Grp of Investment Companies** 29 Finsbury Circus, EC2M 5QL. 01-588 2777 | | | | |
| Cater Allen | 10.375 | 10.883 | Mthl | Call |
| **Charterhouse Japhet plc** 1 Paternoster Row, EC4M 7DH. 01-248 3999 | | | | |
| Sterling | 10.25 | 10.75 | Mthl | Call |
| U.S. Dollar | 10.50 | 11.17 | Mthl | Call |
| German Marks | 5.0 | 5.19 | Mthl | Call |
| Swiss francs | 2.0 | 2.05 | Mthl | Call |
| Japanese Yen | 6.0 | 6.25 | Mthl | Call |
| **Choulartons** 30 Ashley Rd, Altrincham, Cheshire, WA1 2DW 061-928 9011 | | | | |
| Cheque Acc | 10.56 | 11.09 | Mthl | Call |
| **Co-operative Bank** 78-80 Cornhill EC3 01-626 6543 Ex 464 | | | | |
| Cheque & Save | 8.50 | 8.77 | Qtrl | Call |
| Over £1,000 | 10.00 | 10.38 | Qtrl | Call |
| **Dartington & Co Ltd** Dartington, Totnes, Devon TQ9 6JE. 0803 862271 | | | | |
| Money Mkt Acc | 10.25 | 10.66 | Qtrl | Call |
| **Lombard North Central PLC** 17 Bruton St, W1A 3DH. 01-409 3434 | | | | |
| Notice Dep | 10.625 | 10.91 | Rate | 14-day |
| **M & G/Kleinwort Benson** 91-99 New London Rd, Chelmsford. 0245 51651 | | | | |
| High Int Cheque Acc. | 10.30 | 10.85 | Daily | Call |
| **Midland Bank plc** PO Box 2, Sheffield. 0742 20999 Ext 8738 | | | | |
| High Int Chq | 10.00 | 10.38 | Qtrl | Call |
| **Save & Prosper/Robert Fleming** 28 Western Rd, Romford RM1 3LB. 0708 66966 | | | | |
| High Int. Std Acc. | 9.71 | 10.20 | Daily | Call |
| Premier Acc. | 9.71 | 10.20 | Daily | Call |
| **Tyndall & Co** 29-33 Princess Victoria St, Bristol BS8 4BX. 0272 732241 | | | | |
| Demand Acc | 10.28 | 10.69 | Qtrl | Call |
| Money Acc. | 10.25 | 10.65 | Qtrl | Chq/7 |
| **J. Henry Schroder Wagg & Co Ltd** Enterprise House, Portsmouth 0705 827733 | | | | |
| Special Acc. | 10.30 | 10.80 | Mthl | Call |
| Over £10,000 | 10.55 | 11.08 | Mthl | Call |

NOTES:—Interest rates given both as a nominal rate and an annual percentage rate adjusted for frequency of interest credit.

### NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase.

# FT LONDON SHARE INFORMATION SERVICE

## BRITISH FUNDS

### "Shorts" (Lives up to Five Years)

| Interest Due | Stock | Price £ | Last xd | Yield Int. | Yield Red. |
|---|---|---|---|---|---|
| 22Aug 22F | Treas. 15pc 1985 | 101 | 16.7 | 14.79 | 10.51 |
| 22S 22Mar | Exch 12pc Cnv. '85 | 100 | 16.8 | 11.92 | 10.41 |
| 21N 21My | Treas 3pc 1985 | 96 | 16.4 | 3.13 | 9.42 |
| 15Jan 15Jul | Treas 11½pc 1985 | 100 | 8.6 | 11.44 | 10.60 |
| 3Mar 3Se | Treas 8¾pcCnv '85 | 98 | 30.7 | 8.89 | 10.58 |
| 22May 22N | Exch. 12¼pc 1985 | 101 | 16.4 | 12.08 | 10.80 |
| 25Aug 25Fb | Exch. 11¾pc '86 | 100 | 19.7 | 11.64 | 10.91 |
| 11Oct 11Apr | Treas. 10pcCnv 1986 | 98¾ | 4.9 | 10.13 | 10.94 |
| 19N 19May | Treas 3pc 1986 | 91⅝ | 12.4 | 3.27 | 8.70 |
| 19Nv 19My | Exch. 10½pc Cv '86 | 99 | 12.4 | 10.56 | 10.86 |
| 12Dec 12Jun | Treas 12pc 1986 | 101⅛ | 8.5 | 11.87 | 11.19 |
| 10Ja 10Jul | Treas 8½pc 1984-86‡‡ | 96⅛ | 4.6 | 8.84 | 10.96 |
| 29Ap 29Oc | Exch. 14pc 1986 | 105¼xd | 24.9 | 13.32 | 11.15 |
| 21May 21N | Exch. 2½pc 1986 | 87¼ | 16.4 | 2.87 | 9.28 |
| 22Jul 22Jan | Exch. 13¾pc 1987 | 103 | 15.6 | 12.76 | 11.30 |
| 10Aug 10Fb | Treas 10¼pcCv '87 | 97 | 4.7 | 10.48 | 11.29 |
| 24Aug 24Feb | Exch 2½pc 1987 | 85⅞ | 18.7 | 2.91 | 9.26 |
| 6Oct 6Apr | Exch. 10½pc 1987 | 98⅝ | 3.9 | 10.65 | 11.15 |
| 1N 1May | Funding 6½pc '85-87‡‡ | 90¼xd | 25.9 | 7.21 | 11.01 |
| 12Dec 12Jne | Treas. 10pc 1987 | 96⅝ | 8.5 | 10.35 | 11.48 |
| 14Jan 14Jly | Treas 3pc 1987 | 83¾ | 7.6 | 3.58 | 9.80 |
| 3May 3Nov | Treas. 12pc 1987 | 101xd | 27.9 | 11.81 | 11.38 |
| 26Jul 26Ja | Treas 7¾pc 1985-88‡‡ | 90¾ | 19.6 | 8.54 | 11.15 |
| 10Nov 10May | Exch 10½pc '88 | 97xd | 4.10 | 10.79 | 11.47 |
| 14Dec 14Jne | Treas 9¾pc Cv '88 | 94 | 8.5 | 10.31 | 11.59 |
| 1Jan 1Jul | Transport 3pc '78-88 | 78 | 25.5 | 3.83 | 10.11 |
| 25Ap 25Oc | Treas. 9½pc '88 | 93¼xd | 18.9 | 10.19 | 11.65 |
| 22Aug 22Fb | Treas 11½pc 1989 | 99⅝ | 16.7 | 11.54 | 11.58 |
| 18Oct — | Treas 9½pc Cnv. '89 | 93xd | 11.9 | 10.14 | 11.33 |
| 14Oct 14Jun | Treas 10½pc 1989 | 95 | 8.5 | 10.94 | 11.63 |

### Five to Fifteen Years

### Over Fifteen Years

### Undated

### Index-Linked

### INT. BANK AND O'SEAS GOVT STERLING ISSUES

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### COMMONWEALTH AND AFRICAN LOANS

### LOANS

#### Building Societies

#### Public Board and Ind.

#### Financial

### FOREIGN BONDS & RAILS

## AMERICANS

## CANADIANS

## BANKS, HP & LEASING

### Hire Purchase, Leasing, etc.

## BEERS, WINES & SPIRITS

## BEERS, WINES—Cont.

## BUILDING INDUSTRY, TIMBER AND ROADS

## CHEMICALS, PLASTICS

## DRAPERY AND STORES

## DRAPERY & STORES—Cont.

## ELECTRICALS

## ENGINEERING

## ENGINEERING—Continued

## FOOD, GROCERIES, ETC

## HOTELS AND CATERERS

## HOTELS—Continued

## INDUSTRIALS (Miscel.)

هكذا من الأصل



## INDUSTRIALS—Continued

## LEISURE—Continued

## MOTORS, AIRCRAFT TRADES

### Motors and Cycles

### Commercial Vehicles

### Components

### Garages and Distributors

## NEWSPAPERS, PUBLISHERS

## PAPER, PRINTING ADVERTISING

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## LEISURE

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## PLANTATIONS

### Rubbers, Palm Oil

### Teas

## MINES

### Central Rand

### Eastern Rand

### Far West Rand

### O.F.S.

### Finance

### Diamond and Platinum



## MINES—Continued

| Dividends Paid | | Stock | Price | Last xd | Div Net | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|

### Central African

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Jan | June | Falcon Z50c | 160 | 14.5 | Q100c | ♦ | 36.4 |
| Nov. | May | Wankie Col. Z$1 | 8 | 25.4 | — | — | — |
| October | | Zam Cpr.SBD0.24 | 16 | 9/80 | — | — | — |

### Australians

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| — | | ♥ACM 50c | 33 | — | — | — | — |
| — | | ♥Allstate Expl'n. NL | 17 | — | — | — | — |
| — | | ♥Asia Oil & Minerals | 3½ | — | — | — | — |
| — | | ♥Aust. Hydrocarbons NL | 18½ | — | ♦ | — | — |
| — | | ♥Australis Mng NL | 16 | — | — | — | — |
| — | | ♥Balmoral Res | 23 | — | — | — | — |
| — | | ♥Black Hill Mins | 22 | — | — | — | — |
| December | | ♥Bond Corp | 99 | — | Q10c | ♦ | 6.9 |
| Nov. | Apr. | ♥Bougainville 1 Kina | 116 | 11.3 | Q16.4c | 1.2 | 9.3 |
| May | Nov | ♥CRA $2 | 336 | 11.3 | †Q12c | 1.5 | 2.3 |
| — | | ♥Carr Boyd 20c | 58 | — | — | — | — |
| — | | ♥Central Kalgoorlie | 18 | — | — | — | — |
| — | | ♥Central Pacific | 34 | — | — | — | — |
| — | | ♥Cons Gld Mg Areas NL | 2½ | — | — | — | — |
| — | | ♥Coopers Res. NL | 6 | — | — | — | — |
| — | | ♥Cultus Pac NL | 9½ | — | — | — | — |
| — | | ♥Eagle Corp 10c | 6½ | 25.9 | — | — | — |

### Tins

### Miscellaneous

## NOTES

## REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

| | | | | | |
|---|---|---|---|---|---|
| Holt (Jos) 25p | 890xd | ..... | Hall (R. & H.) | 47 | ..... |
| IoM Stm. £1 | 105 | ..... | Helton Hldgs. | 15 | ..... |
| **IRISH** | | | Irish Ropes | 35 | ..... |
| Exch. 12% 1985 | £98¾ | ..... | Jacob (W. & R.) | 61 | ..... |
| Nat. 9¾% 84/89 | £94 | ..... | TMG | 65 | ..... |
| Fin. 13% 97/02 | £89½ | ..... | Unidare | 78 | ..... |

## OPTIONS — 3-month call rates

| Industrials | p | | | | |
|---|---|---|---|---|---|
| Allied-Lyons | 15 | Hawker Sidd | 38 | Vickers | 14 |
| BOC Grp | 27 | Hse of Fraser | 26 | Woolworth Hldg. | 50 |
| BSR | 26 | ICI | 42 | | |
| Babcock | 17 | 'Imps' | 12 | **Property** | |
| Barclays Bank | 45 | ICL | 7½ | Brit Land | 11 |
| Beecham | 32 | Ladbroke | 23 | Cap Counties | 16 |
| Blue Circle | 40 | Legal & Gen | 45 | Land Secs | 25 |
| Boots | 16 | Lex Service | 40 | MEPC | 25 |
| Bowaters | 25 | Lloyds Bank | 50 | Peachey | 17 |
| Brit Aerospace | 20 | 'Lofs' | 3 | Samuel Props | 12 |
| BAT | 15 | Lucas Inds | 18 | Sterling Guar. | 4 |
| Brown (J.) | 3 | 'Mams' | 14 | | |
| Burton Ord | 22 | Marks & Spcr | 20 | **Oils** | |
| Cadburys | 11 | Midland Bk | 36 | Brist. Oil & Min | 9 |
| Comm Union | 16 | NEI | 10 | Brit Petroleum | 35 |
| Courtaulds | 11 | Nat West Bk | 60 | Burmah Oil | 17 |
| Debenhams | 24 | P & O Dfd | 25 | Charterhall | 9 |
| Distillers | 22 | Plessey | 20 | Premier | 6 |
| Dunlop | 5 | RHM | 8 | Shell | 55 |
| FNFC | 6¼ | Rank Org Ord | 24 | Tricentrol | 20 |
| Gen Accident | 42 | Reed Intnl | 49 | Ultramar | 60 |
| Gen Electric | 16 | Sears | 8 | | |
| Glaxo | 70 | TI | 22 | **Mines** | |
| Grand Met | 30 | Tesco | 16 | Charter Cons | 24 |
| GUS 'A' | 55 | Thorn EMI | 55 | Cons Gold | 58 |
| Guardian | 58 | Trust Houses | 18 | Lonrho | 12 |
| GKN | 20 | Turner Newall | 10 | Rio T Zinc | 60 |
| Hanson Tst | 17 | Unilever | 75 | | |

A selection of Options traded is given on the London Stock Exchange Report page.

"Recent Issues" and "Rights" Page 16

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £700 per annum for each security.


# CURRENCIES, MONEY and CAPITAL MARKETS

## FOREIGN EXCHANGES

### LONDON

THREE-MONTH EURODOLLAR $1m points of 100%; THREE-MONTH STERLING £250,000 points of 100%; 20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%; STERLING £25,000 $ per £; DEUTSCHE MARKS DM 125,000; SWISS FRANCS SwFr 125,000 $ per SwFr; JAPANESE YEN Y12.5m $ per Y100; FT-SE 100 INDEX £25 per full index point

[illegible]

### CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%; U.S. TREASURY BILLS (IMM) $1m points of 100%; CERT. DEPOSIT (IMM) $1m points of 100%; THREE-MONTH EURODOLLAR (IMM) $1m points of 100%; STERLING (IMM) $s per £; GNMA (CBT) 8% $100,000 32nds of 100%

[illegible]

### WEEKLY CHANGE IN WORLD INTEREST RATES

[illegible]

# Beware of the cat

BY COLIN MILLHAM

The dollar's rise in value last week was much less dramatic than in the fairly recent past but may prove more lasting. During September the dollar rose sharply but central banks regarded the markets as disorderly and the German Bundesbank was particularly active in burning a few fingers. In a very short time the U.S. currency was pushed down from a trading peak of DM 3.1765, back to around the DM 3.00 level.

Early this month the dollar fell below DM 3.00 but has since climbed steadily and quietly, with only the occasional pause for profit-taking slowing the advance. The Bundesbank has been virtually absent from the open market and intervention at the Frankfurt fixing has been very limited.

There is an air of nervousness about the market on fears that the central banks may be playing a game of cat and mouse, with the apparently snoozing Bundesbank ready to pounce on the market as its confidence increases.

There may one or two question marks over President Reagan's performance in the present election campaign but there is little fear in the market that he will not be re-elected next month. This is helping to underpin the dollar despite an easier trend in U.S. interest rates. Federal funds were below 10 per cent in New York on Friday, compared with 11 per cent at the beginning of the month.

A major factor supporting the U.S. currency remains the strength of the economy. Last Friday's figures were particularly favourable, with wholesale prices falling 0.2 per cent in September, after a fall on 0.1 per cent in August, while September retail prices rose 1.6 per cent, against a revised fall of 0.6 per cent in August.

Two of the better performing currencies last week were sterling and the Japanese yen. Both lost ground to the dollar but not as much as the D-mark led EMS block. The strong Japanese economy continues to support the yen, despite suggestions the threat of Bundesbank intervention makes the yen a more vulnerable target, while sterling was helped by growing optimism about the coal strike and the fact that UK base rates are likely to remain at 10½ per cent for another month.

### STERLING EXCHANGE RATE INDEX (Bank of England)

| | Oct. 12 | Previous |
|---|---|---|
| 8.30 am | 76.3 | 76.4 |
| 9.00 am | 76.4 | 76.3 |
| 10.00 am | 76.4 | 76.3 |
| 11.00 am | 76.4 | 76.3 |
| Noon | 76.4 | 76.3 |
| 1.00 pm | 76.5 | 76.3 |
| 2.00 pm | 76.5 | 76.3 |
| 3.00 pm | 76.6 | 76.4 |
| 4.00 pm | 76.6 | 76.3 |

### New York rates

| | Oct. 12 | Prev. close |
|---|---|---|
| £ Spot | [illegible] | [illegible] |
| 1 month | [illegible] | [illegible] |
| 3 months | 0.22-0.24 dis | 0.21-0.24 dis |
| 12 months | 1.50-1.60 dis | 1.50-1.60 dis |

Forward premiums and discounts apply to the U.S. dollar.

### FORWARD RATES AGAINST STERLING

| | Spot | 1 month | 3 month | 6 month | 12 month |
|---|---|---|---|---|---|
| Dollar | 1.2265 | 1.2268 | 1.2281 | 1.2332 | 1.2428 |
| D-Mark | 3.8175 | 3.8023 | 3.7764 | 3.7382 | 3.6674 |
| French Franc | 11.6750 | 11.6798 | 11.7067 | 11.7676 | 11.8920 |
| Swiss Franc | 3.1325 | 3.1176 | 3.0935 | 3.0571 | 2.9819 |
| Japanese Yen | 303.75 | 302.60 | 300.74 | 297.94 | 292.70 |

### POUND SPOT—FORWARD AGAINST POUND

| Oct 12 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| U.S. | 1.2210-1.2290 | 1.2260-1.2270 | par-0.03c dis | −0.15 | 0.22-0.26dis | −0.78 |
| Canada | 1.6125-1.6200 | 1.6165-1.6175 | 0.15-0.25c dis | −1.48 | 0.65-0.80dis | −1.79 |
| Nethlnd. | 4.27¾-4.30½ | 4.28¾-4.29¾ | 1⅝-1⅜c pm | 4.37 | 4½-4⅛ pm | 4.02 |
| Belgium | 76.73-77.50 | 75.90-77.50 | 2c pm-3 dis | −0.08 | 1 pm-8 dis | −0.18 |
| Denmark | 13.74-13.78 | 13.76½-13.77½ | ⅛-1ore dis | −0.49 | 3¾-4⅝ dis | −1.23 |
| Ireland | 1.2217-1.2293 | 1.2265-1.2275 | 0.13-0.28p dis | −2.00 | 0.69-0.87dis | −2.54 |
| W. Ger. | 3.79¾-3.82¾ | 3.81¼-3.82¼ | 1⅝-1½pf pm | 5.11 | 4½-4⅜ pm | 4.58 |
| Portugal | 198.35-200.56 | 198.90-200.30 | 180-530c dis | −21.34 | 600-1575dis | −21.79 |
| Spain | 211.30-212.50 | 212.30-212.50 | 35-65c dis | −2.82 | 160-210 dis | −3.48 |
| Italy | 2,341-2,357½ | 2,352-2,353 | 9-11 lire dis | −5.10 | 13-34 dis | −4.00 |
| Norway | 10.91-10.95 | 10.93½-10.94½ | 2-2⅝ore dis | −2.60 | 6¾-7⅝ dis | −2.63 |
| France | 11.64-11.70¾ | 11.67-11.68 | ⅛-¾c dis | −0.45 | 2⅛-3⅛ dis | −0.90 |
| Sweden | 10.68-10.73 | 10.69½-10.70½ | 2-2½ore dis | −2.52 | 6½-7⅛ dis | −2.57 |
| Japan | 302¾-304⅛ | 303¼-304¼ | 1.24-1.13y pm | 4.66 | 3.14-2.98 pm | 4.03 |
| Austria | 26.70-26.83 | 26.75-26.80 | 8⅝-7⅜gro pm | 3.19 | 20¾-17½ pm | 2.86 |
| Switz. | 3.11½-3.13¾ | 3.12¾-3.13¾ | 1⅝-1⅜c pm | 6.75 | 4⅛-3⅞ pm | 5.11 |

Belgian rate is for convertible francs. Financial franc 77.75-77.85. Six-month forward dollar 0.63-0.68c dis, 12-month 1.50-1.65c dis.

### BANK OF ENGLAND TREASURY BILL TENDER

| | Oct. 12 | Oct. 5 | | Oct. 12 | Oct. 5 |
|---|---|---|---|---|---|
| Bills on offer | £100m | £100m | Top Accepted rate of discount | 9.7467% | 9.8470% |
| Total of applications | £492.35m | £424m | Average rate of discount | 9.7287% | 9.7343% |
| Total allocated | £100m | £100m | Average yield | 9.97% | 9.98% |
| Minimum accepted bid | £97.57* | £97.545 | Amount on offer at next tender | £100m | £100m |
| Allotment at minimum level | 18% | 80% | | | |

### OTHER CURRENCIES

| Oct. 12 | £ | $ | | £ Note Rates |
|---|---|---|---|---|
| Argentina Peso | 124.45-124.67 | 101.39-101.48 | Austria | 26.60-27.00 |
| Australia Dollar | 1.4745-1.4765 | 1.2015-1.2025 | Belgium | 77.30-78.20 |
| Brazil Cruzeiro | 2,939.86-2,957.00 | 2,395-2,407 | Denmark | 13.70-13.83 |
| Finland Markka | 7.8333-7.8584 | 6.4105-6.4125 | France | 11.64-11.76 |
| Greek Drachma | 155.20-155.50 | 126.75-1.2690 | Germany | 3.80-3.84 |
| Hong Kong Dollar | 9.6000-9.6100 | 7.8285-7.8315 | Italy | 2330-2360 |
| Iran Rial | 114.30* | 92.75* | Japan | 303-307 |
| Kuwait Dinar (KD) | 0.36870-0.36915 | 0.30050-0.30065 | Netherlands | 4.28-4.32 |
| Luxembourg Fr. | 76.90-77.50 | 62.70-62.75 | Norway | 10.87-10.97 |
| Malaysia Dollar | 2.9250-2.9410 | 2.3850-2.3950 | Portugal | 194-225 |
| New Zealand Dlr. | 2.5250-2.5300 | 2.0575-2.0605 | Spain | 207½-216¾ |
| Saudi Arab. Riyal | 4.3685-4.3735 | 3.5605-3.5615 | Sweden | 10.64-10.74 |
| Singapore Dollar | 2.6560-2.6610 | 2.1650-2.1680 | Switzerland | 3.11-3.14 |
| Sth African Rand | 2.1333-2.1323 | 1.7390-1.7435 | United States | 1.21½-1.25½ |
| U.A.E. Dirham | 4.5055-4.5105 | 3.6720-3.6730 | Yugoslavia | 247-261 |

* Selling rate.

### DOLLAR SPOT—FORWARD AGAINST DOLLAR

| Oct 12 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| UK† | 1.2210-1.2290 | 1.2260-1.2270 | par-0.03c dis | −0.15 | 0.22-0.26dis | −0.78 |
| Ireland† | 0.9950-1.0005 | 0.9950-0.9960 | 0.15-0.12c pm | 1.62 | 0.46-0.38 pm | 1.68 |
| Canada | 1.3185-1.3200 | 1.3186-1.3190 | 0.12-0.16c dis | −1.27 | 0.29-0.34dis | −0.96 |
| Nethlnd. | 3.4980-3.5080 | 3.4995-3.5005 | 1.36-1.33c pm | 4.60 | 4.23-4.19 pm | 4.80 |
| Belgium | 62.70-62.79 | 62.70-62.75 | 1c pm-2 dis | −0.09 | 9-4 pm | 0.41 |
| Denmark | 11.21¾-11.24¾ | 11.21¾-11.22¾ | ½-par ore pm | 0.27 | ½-par pm | 0.09 |
| W. Ger. | 3.0990-3.1200 | 3.1055-3.1065 | 1.34-1.29pf pm | 5.07 | 4.05-4.00 pm | 5.18 |
| Portugal | 162½-163½ | 162½-163½ | 150-400c dis | −20.24 | 400-1150dis | −19.02 |
| Spain | 173.00-173.45 | 173.00-173.40 | 35-55c dis | −3.11 | 105-140 dis | −2.82 |
| Italy | 1,914-1,919 | 1,914-1,915 | 8.00-8.40 lire dis | −5.13 | 23.00-23.75d | −4.88 |
| Norway | 8.90½-8.92½ | 8.91¼-8.91¾ | 1.60-2.10ore dis | −2.48 | 4.00-4.50dis | −1.91 |
| France | 9.51½-9.54¾ | 9.51½-9.52½ | 0.15-0.30c dis | −0.28 | 0.50-0.90dis | −0.29 |
| Sweden | 8.72-8.73½ | 8.72¼-8.72¾ | 1.55-2.05ore dis | −2.47 | 3.90-4.40dis | −1.90 |
| Japan | 247.45-248.15 | 247.65-247.75 | 1.00-0.96y pm | 4.74 | 2.98-2.94 pm | 4.79 |
| Austria | 21.80-21.85 | 21.80-21.85 | 7-6½gro pm | 3.70 | 20½-18½ pm | 3.57 |
| Switz. | 2.5420-2.5600 | 2.5535-2.5545 | 1.30-1.24c pm | 5.98 | 3.70-3.64 pm | 5.76 |

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 63.40-63.50.

### EMS EUROPEAN CURRENCY UNIT RATES

| | Ecu central rates | Currency amounts against Ecu October 12 | % change from central rate | % change adjusted for divergence | Divergence limit % |
|---|---|---|---|---|---|
| Belgian Franc | 44.9008 | 45.2509 | +0.78 | +0.78 | ±1.5425 |
| Danish Krone | 8.14104 | 8.10829 | −0.40 | −0.40 | ±1.6421 |
| German D-Mark | 2.24184 | 2.24130 | −0.02 | −0.02 | ±1.1463 |
| French Franc | 6.87456 | 6.87116 | −0.05 | −0.05 | ±1.3659 |
| Dutch Guilder | 2.52595 | 2.52538 | −0.02 | −0.02 | ±1.5165 |
| Irish Punt | 0.72569 | 0.721640 | −0.57 | −0.57 | ±1.6671 |
| Italian Lira | 1403.49 | 1384.03 | −1.39 | −1.39 | ±4.0511 |

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

### CURRENCY MOVEMENTS

| Oct 10 | Bank of England Index | Morgan Guaranty Changes% |
|---|---|---|
| Sterling | 76.6 | −13.4 |
| U.S. dollar | 143.0 | +29.2 |
| Canadian dollar | 90.4 | −3.3 |
| Austrian schilling | 110.3 | +3.9 |
| Belgian franc | 88.1 | −11.4 |
| [illegible] | [illegible] | [illegible] |

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

### CURRENCY RATES

| Oct. 11 | Bank rate % | Special Drawing Rights | European Currency Unit |
|---|---|---|---|
| Sterling | — | 0.809091 | 0.588918 |
| U.S. $ | 9 | 0.990073 | 0.720097 |
| Canadian $ | 12.38 | * | 0.960239 |
| Austria Sch. | 4½ | 21.6113 | 15.7541 |
| Belgian Fr. | 11 | 62.2013 | 45.2509 |
| Danish Kr. | 7 | 11.1170 | 8.10829 |
| D'mark | 4½ | 3.07575 | 2.24130 |
| [illegible] | [illegible] | [illegible] | [illegible] |

*CS/SDR rate for Oct 11: 1.30348

### EXCHANGE CROSS RATES

| Oct. 12 | Pound Sterling | U.S. Dollar | Deutsche m'k | J'panese Yen | French Franc | Swiss Franc | Dutch Guild | Italian Lira | Canada Dollar | Belgian Franc |
|---|---|---|---|---|---|---|---|---|---|---|
| Pound Sterling | 1. | 1.227 | 3.818 | 303.8 | 11.68 | 3.133 | 4.295 | 2353. | 1.617 | 77.90 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### EURO-CURRENCY INTEREST RATES (Market closing rates)

[illegible]

Asian $ (closing rates in Singapore): Short-term 10⅛-10¼ per cent; seven days 10½-10⅝ per cent; one-month 10⅝-10¾ per cent; three months 11-11⅛ per cent; six months 11⅛-11¼ per cent; one year 11⅛-11¼ per cent. Long-term Eurodollars: two years 12⅛-12¼ per cent; three years 12⅜-12⅞ per cent; four years 12¾-13 per cent; five years 12⅞-13⅛ per cent nominal rates. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

## MONEY MARKETS

# Rates become more volatile

Interest rates were rather volatile and nervous on the London money market last week, as market opinion swung backwards and forwards about the likelihood of a cut in clearing bank base rates.

The opening of the Conservative Party conference on Tuesday increased speculation about lower base rates, and this led to falls of about ¼ per cent in interbank rates. Trading was nervous however, because forecasts varied considerably about the approaching money supply figures. In the event the rise of 1¼ to 1½ per cent in sterling M3 to mid-September, left the rate of growth right at the top of the target range, and caused disappointment, if not total surprise in financial markets.

Hopes were dashed of an immediate fall to 10 per cent from 10½ per cent in base rates as dealers became resigned to waiting another month for the mid-October money figures to discover whether the underlying trend warrants lower UK interest rates.

Three-month interbank fell to around 10⅜-10½ per cent before the money supply announcement, but then rose to 10½-10⅝ per cent, before falling back again at the Friday close to [illegible] per cent, and being quoted for today's opening at [illegible] per cent again.

Renewed optimism at the end of the week followed the news from the Advisory, Conciliation and Arbitration Service that the National Coal Board had accepted proposals to end the miners' strike.

The coal strike has been a major source of concern to the markets but any settlement on its own is unlikely to produce lower bank base rates unless this week's final money supply figures show something that was not obvious in the provisional announcement.

In general market sentiment remains good and this was indicated by Friday's Treasury bill tender, where the average rate of discount continued to fall.

November now looks the likeliest time for a base rate cut, but by that time world attention will be focusing on the U.S. Presidential election, although it remains to be seen whether that will have any impact on the world interest rate picture.

### FT LONDON INTERBANK FIXING

LONDON INTERBANK FIXING (11.00 a.m. October 12)

| 3 months U.S. dollars | |
|---|---|
| bid 11 1/16 | offer 11 3/16 |
| **6 months U.S. dollars** | |
| bid 11 3/8 | offer 11 1/2 |

The fixing rates are the arithmetic means, rounded to the nearest one sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

### MONEY RATES

| Oct. 12 | Frankfurt | Paris | Zurich | Amst'dam | Tokyo | Milan | Brussels | Dublin |
|---|---|---|---|---|---|---|---|---|
| Overnight | 5.55-5.65 | 11 | 1¼-1¾ | 6⅝-6⅞ | 6.03125 | 17-17⅜ | 8.05 | 12⅞-12¾ |
| One month | 5.75-5.90 | 11-11⅛ | 4¾-4⅞ | 6⅛-6¼ | 6.21875 | 16⅞-17¼ | 10⅞-11⅛ | 12¾-13 |
| Two months | 5.75-5.90 | 11-11⅛ | — | — | — | — | — | 13⅛-13⅜ |
| Three months | 5.95-6.10 | 11-11⅛ | 5¼-5⅜ | 6⅛-6¼ | 6.34375 | 17⅛-17¼ | 10⅞-11⅛ | 13⅛-13⅜ |
| Six months | 6.00-6.15 | 11⅛-11⅜ | — | 6⅛-6⅜ | — | — | 10⅞-11⅛ | 13⅜-13⅝ |
| Lombard | 5.5 | — | — | — | — | — | — | — |
| Intervention | — | 11 | — | 6¾ | — | — | — | — |

### LONDON MONEY RATES — Discount Houses Deposit and Bill Rates

| Oct. 12 1984 | Sterling Certificate of deposit | Interbank | Local Authority deposits | Company Deposits | Market Deposits | Treasury (Buy) | Treasury (Sell) | Eligible Bank (Buy) | Eligible Bank (Sell) | Fine Trade (Buy) |
|---|---|---|---|---|---|---|---|---|---|---|
| Overnight | — | 10-11⅛ | 10¾-11 | 10¾-11¼ | 7-10¾ | — | — | — | — | — |
| 2 days notice | — | — | 10¾-10⅞ | — | — | — | — | — | — | — |
| 7 days or | — | — | — | — | — | — | — | — | — | — |
| 7 days notice | — | 10 11/16-11⅛ | 10¾-10⅞ | 11-11¼ | 10½-10¾ | — | — | — | — | — |
| One month | 10 9/16-10 7/16 | 10 7/16-11 1/16 | 10¾ | 11 | 10½ | 10 5/16 | 10⅜ | 10 5/16 | 10⅜ | 11 1/32 |
| Two months | 10⅝-10½ | 10⅛-10¾ | 10⅝ | 10⅞ | 10 | 10 1/16 | 10 1/16 | 10⅛ | 10 1/16 | 10 9/16 |
| Three months | 10 7/16-10 5/16 | 10 7/16-10⅝ | 10½ | 10¾ | 10 | 9 15/16 | 9¾ | 10 | 9 15/16 | 10⅜ |
| Six months | 10⅜-10 5/16 | 10⅝-10 9/16 | 10½ | — | — | — | — | 9 25/32 | 9 25/32 | 10 13/32 |
| Nine months | 10 7/16-10 5/16 | 10½-10 11/16 | — | — | — | — | — | — | — | — |
| One year | 10 9/16-10 7/16 | 10½-10 11/16 | 10⅛ | — | — | — | — | — | — | — |

| | Local Auth. negotiable bonds | Local Authority Deposits | Finance House Deposits | $ Cert of Deposits | SDR Linked Deposits | ECU Linked Deposits |
|---|---|---|---|---|---|---|
| One month | 11¼-10⅞ | — | 10¾ | 10.5-10.6 | 9 1/16-9 3/16 | 9¾-9 13/16 |
| Two months | 11⅛-10¾ | — | 10⅝ | 10.75-10.85 | 9¼-9⅝ | 9 15/16-10 |
| Three months | 11⅛-10¾ | — | 10⅝ | 10.75-10.85 | 9⅛-9¾ | 9 15/16-10 1/16 |
| Six months | 10⅞-10⅛ | — | 10 5/16 | 11.1-11.2 | 9 1/16-9 5/16 | 10-10 1/16 |
| Nine months | 10¾-10⅜ | — | 10 5/16 | 11.2-11.4 | — | — |
| One year | 10¾-10⅜ | — | 10 5/16 | 11.4-11.6 | 10-10¼ | 10 1/16-10⅜ |
| Two years | — | 11¼ | — | — | — | — |
| Three years | — | 11⅜ | — | — | — | — |
| Four years | — | 11½ | — | — | — | — |
| Five years | — | 11⅝ | — | — | — | — |

ECGD Fixed Rate Export Finance Scheme IV: Average Rate of Interest period September 5 to October 2 1984 (inclusive): 10.904 per cent. Local authorities and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 11 per cent from October 1 1984. London and Scottish Clearing Bank Rates for lending 10½ per cent. London Deposit Rates for sums at seven days' notice 7¼-7½ per cent. Treasury Bills: Average tender rates of discount 9.7287 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 10¾ per cent; one-three months 10¾ per cent; three-six months 10⅝ per cent; six-nine months 10¾ per cent; nine-12 months 10¾ per cent. Under £100,000 10 per cent from September 12. Deposits held under Series 5 10½ per cent. The rates for all deposits withdrawn for cash 7 per cent.

### MONEY RATES

**NEW YORK (4 pm)**

| | |
|---|---|
| Prime rate | 12½-12¾ |
| Broker loan rate | 11-12¾ |
| Fed funds | 9⅞ |
| Fed funds at intervention | 10⅛ |

**Treasury Bills**

| | |
|---|---|
| One month | 9.65 |
| Two month | 9.80 |
| Three month | 9.89 |
| Six month | 9.99 |
| One year | 10.00 |

**Treasury Bonds**

| | |
|---|---|
| Two year | 100¾ |
| Three year | 101 |
| Four year | 101 11/32 |
| Five year | 102 |
| Seven year | 100 21/32 |
| 10 year | 101 15/32 |
| 30 year | 103 7/32 |

SECTION III

# FINANCIAL TIMES SURVEY

**Arab bankers in 1984 have been in an uncertain mood. The downturn in the oil state economies is likely soon to force them to write off loans and the decline of syndicated lending is leading them to reassess their international operations. Banks have been made aware of their lack of diverse financial expertise.**

# ARAB BANKING
## FINANCE AND INVESTMENT

## Moving into recession

**By Michael Field**

FOR the first time in their histories the Arab banks of the oil states are facing a really serious recession. In their international operations they are suffering from the decline of syndicated sovereign risk lending, which seemed a relatively simple way of making money and was their bread and butter in the late 1970s and early 1980s.

Within Saudi Arabia and all the Gulf states the banks have large numbers of bad loans on their books, caused ultimately by the fall in oil revenues and the governments' late payment of contractors.

In Kuwait, which has some of the strongest and most sophisticated banks in the region, the situation may soon become much worse, when the final unravelling of the debts left by the crash of Souk al Manakh—the unofficial stock exchange—leads to a large number of bankruptcies.

"The big question," a senior Arab manager in an American bank in London remarked recently, "is exactly where things are headed and how the Arab banks will cope."

According to the pessimistic school of thought, which has many adherents in London, Paris and the Gulf, Arab banking faces a period of contraction. Balance sheets will shrink, Arab owned banks will merge, and foreign banks in the Middle East will face restrictions, such as limits on the numbers of their branches, in order artificially to make more of a shrinking cake available for local institutions.

It is argued that the present expansion of the Arab presence in international centres—London, where there are now more than 50 Arab banks, the U.S. and the Far East—is only the delayed implementation of policies conceived in a very different climate in 1980-82. In effect the action is out of synchronisation with the current mood.

### Most important

Other, more confident, bankers claim that what is being seen is a genuine, long-term internationalisation of Arab banking, as Arab banks follow their clients overseas. In effect they are following in the footsteps of American banks in the 1960s, though whereas the Americans were following multinational corporations, the Arabs are pursuing private investors and foreign companies that are already doing business in the Middle East. So far the National Commercial and Riyad banks of Saudi Arabia and the Kuwaiti banks, which are the biggest and most important of the expanding institutions, are not looking for new local customers in the countries where they have established themselves.

The aspect of the Arab banks' position that most concerns the authorities in the West—and is also of concern to some of the financial authorities in the Gulf—is directly related to the banks' expansion. It is their dependence on syndications for their long-term lending and their lack of experience of more sophisticated types of finance, including those that generate fee income.

It is not suggested that suddenly it has become impossible to earn any income from syndications. The market has shrunk from $133bn in 1981 to $74bn last year, but Arab banks have a strong capital base (which at home should protect them from the effects of clients' bankruptcies) and their share of the reduced market will probably increase in the next few years.

### Corporate risk

The problem is that the market will be more difficult, because of the emphasis on corporate rather than sovereign risk lending, and more competitive, because of its smaller size. "In the past," an executive of one of the biggest Arab banks in London remarked recently, "the small Arab international banks used to line up with their mouths open to take bits of syndicated deals fed to them by people like us but now their mouths stay open and nobody is spooning it in."

He added that these banks—institutions without any particular philosophy of their own—"were looking around and wondering what to do."

One of their reactions has been to turn to their shareholders and ask to be given business or introduced to the shareholders' friends. Another has been to talk of diversifying into bonds, floating rate notes, project finance or portfolio management.

All of these operations are more difficult than syndicated sovereign risk lending—which, as the Kuwaiti Finance Minister, Shaikh Ali Khalifa al Sabah, observed recently, is the least profitable of international banking activities.

Corporate syndications and project finance require a bank to appraise its customers three or four times a year, whereas sovereign risk lending needed only an annual review. Banks lending to corporate customers need much greater numbers of experienced loan officers.

Bond and note issues are intellectually more complicated, they need imagination for finding "new wrinkles" which will appeal to issuers and buyers, and they require greater expertise in placing, because a bank has to know exactly what it is selling. Also, as Hikmat Nashashibi, one of the most experienced Arab international bankers, points out, "one does not buy one's way into the bond market with big participations. One needs time—think of the time it took Hambros to develop its links with the Nordic governments."

So far there is only a handful of Arab banks able to operate

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Contents

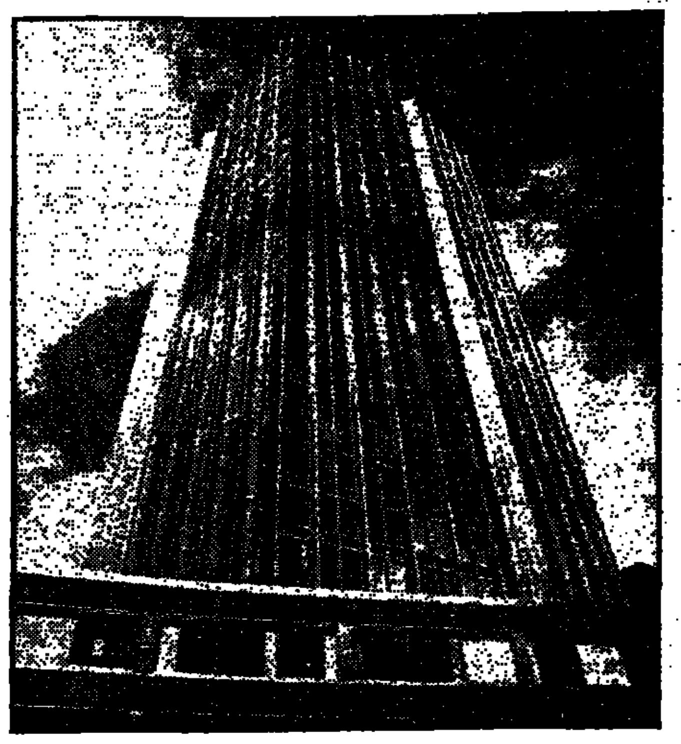
# Still lacking a true Arab capital market

**Syndicated Lending**
MICHAEL FIELD

THE LAST five years have seen a strong capital injection into Arab banking. From some $2.5-3bn in 1979 it is estimated that the capital resources of Arab banks in capitalist countries have grown to $9-10bn.

To the disappointment of Arab bankers and governments this growth has not been accompanied by the emergence of a true Arab capital market, in the Middle East or elsewhere, which Arab borrowers approach as their automatic first choice for finance.

The increase in the Arab banks' capital has nothing directly to do with the size of oil states' financial reserves; it has come about through Arab governments and individuals deciding to invest more in the development of banking. In the process they have given Arab banks a lending capacity that is immune from cycles in government surpluses.



99, Bishopsgate, the headquarters of Saudi International Bank in the City of London

## Least leveraged

On the basis of their capital it is suggested by Hikmat Nashashibi of the Al Mal Group that Arab banks should be able to lend internationally some $5-6bn a year, working up to a total of $100bn.

At present they are the least leveraged banks in the world. In Kuwait banks shareholders' equity (capital and reserves) is almost 18 per cent of total credit facilities, compared with a norm among international banks of 3-7 per cent. Together Arab banks have an exposure to Brazil, which has $100bn of debt, of just $1.5bn. Some American banks have individual commitments of over $4bn.

Given their lack of expertise in bonds and notes (discussed in the introduction to this survey) the obvious area of operations for the Arabs is syndicated lending. The market is smaller than it used to be—it shrank from $133bn in 1981 to $74bn in 1983, while the Euro-bond market grew in the same period from $53bn to $73bn. However, it is a business which the Arabs know and they have steadily been expanding their involvement in it.

In 1977, when there were $50bn of Euro-credits signed, the Arabs had 2 per cent of the market. By 1983 their share had expanded to 9.5 per cent—$7bn in a total market of $74bn.

This growth has been mainly the work of the bigger banks—the leading Arab international banks, the Bahraini offshore banks and the major Kuwaiti banks and investment companies. The smaller Arab banks now find themselves suffering in the shrunken market.

The new activity is not concentrated in any single market. Bahrain is a centre for some Arab government borrowing and formerly managed syndicated project finance for contractors in Saudi Arabia—an activity which this year has stopped dead in its tracks. Kuwait, on the other hand, does surprisingly little inter-Arab work.

The lack of direct relations between the Arab centres reflects the pattern of the region's trade: not more than 10 per cent of total Arab exports and imports is accounted for by inter-Arab trade.

Most Arab borrowing and lending is done via the Euromarkets. During the period from 1972 to the first quarter of 1984 published Arab bond issues and borrowings on the Euromarkets ran to $46bn—a figure which compares with Arab official holdings of Euro-deposits at the end of last year of $135bn.

Within the Euromarkets there has recently been an encouraging development: more Arab-managed loans are for Arab borrowers.

## Recent integration

In 1980 the share of Arab borrowers in Arab-led Euro-loans was 25 per cent; in 1983 it was 51 per cent and in the first quarter of 1984, 54 per cent. In dollar terms Arab-led syndications for Arab clients increased from $900m in 1980 to $3.6bn in 1983—which suggests that much of the recent integration of lenders and borrowers has been a factor of the increase in Arab borrowings.

The connections between Arab banks suggested by these statistics are more visible in the numbers than they are on the ground in London or other financial centres. There are no noticeable circles of Arab dealing in London, mainly because the Arab banks in the City are so varied in their purpose and degrees of sophistication.

The older, bigger banks, such as the Arab Banking Corporation and Gulf International Bank branches in London, say they find that they are much less cautious and conservative than the new foreign branches of the Gulf domestic banks.

They have different views of risk. Two and a half years ago when ABC led the first medium term loan for Turkey in the international market no Arab bank joined in, though some would do so now.

The difference in sophistication means that there is a lack of reciprocity in relations between the Arab banks. The big international banks find that they get little business back from the new branches or the small London or European-based Arab banks, and so they direct their business to established western institutions.

Where there is some, rather nebulous, unity in Arab international banking is in borrowers' perception of a "pool" of Middle Eastern funds—just as they have perceptions of other "pools" of funds elsewhere.

There was an example of this view of the market last year, when the Saudi International Bank in London was one of two lead managers for a $250m issue for Banque Nationale de Paris. SIB was responsible for a $100m tranche of the loan and was asked to place it exclusively in the Middle East.

In a quite powerful but even less tangible sense there is a feeling of comradeship among Arab bankers themselves. They have formed in London the Arab Bankers' Association, which is open to senior Arab bankers everywhere regardless of whether they work for Arab or Western institutions.

The association was described recently by an Arab banker as a forum in which people with a common language could exchange information and gossip. An English banker at the same time said it fostered a community spirit among Arab bankers.

"They visit each other, entertain each other and feel warm towards each other. From the people point of view," he added. "I'd say that there is an Arab circle in the capital markets—you find the same personalities moving from one bank to another. But from the techniques and institutions point of view there's not yet such a thing as international Arab banking."



# Moving into recession

CONTINUED FROM PREVIOUS PAGE

in notes, bonds and corporate lending. They are the big Kuwaiti investment companies and some of the Kuwaiti banks (which have been less active recently while the Souk al Manakh bankruptcies have been pending) and five Arab consortia banks: Gulf International Bank, Arab Banking Corporation, Saudi International Bank, Union des Banques Arabes et Françaises and Banque Arabe et Internationale d'Investissement.

On a much smaller, more specialised scale the London investment bank, the Al Mal Group, has the same capabilities (Although this bank has a similar name—Mal, meaning finance — to the Dar al Mal Islamia in Geneva, it is not connected to the Islamic banking operation.)

Arab banks involved in portfolio management and sophisticated personal banking are Al Mal and the much bigger Investcorp, which is based in Bahrain and was established for the specific purpose of managing the foreign investment of rich Arabians' capital.

## Sophisticated types

The obstacle to the wide development of all these more sophisticated types of banking is the Arabs' lack of trained manpower. Most Arab banks in London and in other centres have staff who are perfectly competent in syndications and Middle East trade finance, which like syndications is a shrinking area of operations.

What they lack is not so much quality as quantity and diversity of expertise. There are excellent bank directors and department heads, but despite the reasonable popularity of financial professions in the Gulf there are no supporting cadres of middle and junior managers. Part of the reason is the emphasis placed in Arab society on getting a degree, or even better, a Phd, no matter how poor the issuing university, rather than on training in the job. There are hardly any Saudis and Gulf Arabs training with Arab banks in London, Paris or New York.

The Arabs' shortcomings were detailed in a very critical and much discussed speech delivered by the Kuwaiti Finance Minister to the Arab Bankers' Association in London last month. Shaikh Ali Khalifa claimed that there were fewer highly trained Kuwaiti professional managers in all the Kuwaiti banks combined than in any one of the six major subsidiaries of the Kuwait Petroleum Corporation.

"None of these Kuwaiti professionals has any real taste of international competition," he stated. The "pampering" of the Arab banks by governments in the 1970s had "made the generation of profit as easy as taking candy from a baby. This removed any incentive to develop good, sophisticated, broadly based management."

In effect the minister was saying that the markets were becoming more difficult faster than the Arabs were responding.

His theme was echoed by the Governor of the Bank of England, also addressing the Arab Bankers' Association, on October 2. He said that to survive in London Arab banks needed to "strengthen their management and build up a greater degree of professionalism." He also referred to weak record keeping.

It was clear that the Governor was cautioning the banks against entering new activities without adequate preparation.

On the following day an Arab banker analysing the situation said that it was difficult to tell how the Arab banks in the international centres would react to the situation. He suggested that they were faced with three options.

They could rush into new business without being adequately set up for it. They could leave—because the logic which had originally prompted them to establish themselves was no longer valid or they could conduct a strategic analysis and intelligently diversify.

# Contrast of attitudes towards foreign borrowing

## North African Debt

FRANCIS GHILES

ALGERIA, Morocco and Tunisia today present a contrasting picture where their foreign debt is concerned. In many ways their situations mirror the different attitudes adopted towards foreign indebtedness by the less developed countries (LDC) as a whole in recent years.

Throughout the 1970s Algerian state companies, notably Sonatrach, which holds a monopoly of oil and gas exports, raised large sums of money abroad in order to finance the country's ambitious industrialisation programme. In the late 1970s they were paying more than most large Third World borrowers to raise Eurocurrency loans, usually 1½-1¾ above the interbank rate.

Morocco, on the other hand, built up its foreign debt at a slower pace and benefited from much lower margins while Tunisia was—and remains—a prudent borrower, very careful to preserve its status in the markets. It may have to pay a little more today than it did last year, but its credit remains virtually intact.

In the past year or so, however, the position of the two major Maghreb countries has been neatly reversed.

As Morocco found it impossible to finance its large payments deficit and ran out of reserves, in July 1983, it was forced to the negotiating table. The rescheduling of that part of its foreign debt which falls due between September 1 1983 and December 31 1984 got off to a smooth start in September last year following an agreement reached with the IMF (International Monetary Fund) earlier that summer. A settlement was reached with the Paris Club in the autumn of 1983 whereby official creditor bodies in the West and the Arab world agreed to reschedule 85 per cent of all principal and interest owed to them by the Kingdom and various state companies, $1.15bn, over eight years with four years' grace.

Where the $530m repayments of principal owed to the commercial banks is concerned, agreement in principle was reached last spring on these terms: 90 per cent of what is owed in the 16 months to December of this year will be repaid over eight years with a margin of 1¾ per cent over the interbank rate. However, a major, and as yet unresolved, stumbling block then appeared on the question of a central bank guarantee.

The 10-bank steering committee of leading creditor banks, chaired by Citibank and Banque Nationale de Paris, wish to draw the Banque du Maroc into the agreement—either as co-signer or co-guarantor of the document—because of the fact that it holds Morocco's hard currency reserves. The U.S. banks are particularly keen on this point, while the French banks show less concern. The suggestion from the foreign banks that a "letter of comfort" from the Banque du Maroc would suffice has not appealed to the authorities in Rabat, which have, in the meantime, received aid in the form of FFr 1.78bn of blended credits from the French and about $350m so far this year from Saudi Arabia and Gulf states.

### Not convincing

The Moroccan authorities feel the precedents quoted by the banks are not convincing and the Banque du Maroc, for its part, clearly feels that having warned for many years in its annual reports against too much foreign borrowing, it should not now be asked to guarantee the debt of other state entities. To do this would necessitate a change in its charter and no doubt an unpleasant debate in Parliament.

There is also a feeling in Rabat that the bankers have only themselves to blame for misreading the economic indicators. The austerity measures adopted these past two years are as severe as is possible without endangering public order—which broke down again last January, when rumours about further cuts in the subsidies of basic foodstuffs started circulating.

The success of the austerity measures, however, hinges on factors which have ill served the Kingdom in recent years and over which it has little control: there is no hope of an early end to the Saharan conflict, the U.S. dollar is riding ever higher, the price of phosphates remains low and rain, even this year, has not been plentiful. All these factors — and the perceived extravagance of the upper classes and the court—are not new, yet many bankers continued to lend right up to July of 1983.

Rightly or not, the authorities in Rabat do not appear to fear that the banks will cut their short-term lines of credit, which amounted to about SDR 0.8bn. They reason that roughly half their debt is owed to the French and that the Reagan Administration will continue to support them, despite the recent union with Libya. The U.S. is upgrading two military bases to help service the Rapid Deployment Force and south of Tangiers is building the largest radio transmitter in the free world outside the U.S.

Even if it gets over the hurdle of the central bank guarantee, Morocco faces a tough time: the per capita foreign debt now stands at $603, which is not very far from the per capita income of $654.

Morocco's debt service as a percentage of exports of goods and services has risen from 41.4 per cent in 1982 to 47 per cent last year and 54 per cent in 1984. The two latter percentages must be revised downwards, to 36 and 27 per cent respectively to take account of the rescheduling. Nonetheless, Morocco had to pay SDR 1.9bn back to its foreign creditors last year—of which SDR 0.8bn is accounted for by short-term debt. Its foreign debt stands at close to $13bn, a very heavy burden indeed.

In the first six months of this year the deficit of the balance of trade has increased from DH 5.2bn ($562m) to DH 7.8bn, as the import corset has been unloosed. These figures hide a continuous rise in exports, 18 per cent in 1983 alone, and a much stronger performance where tourist receipts and transfers from Moroccan workers abroad are concerned.

The IMF guidelines are being respected and, if a compromise solution is found on the question of the central bank guarantee, then Morocco can settle down to renegotiating that part of its foreign debt which is owed in 1985 and 1986. However, for many years to come, the Kingdom's economic performance will be a cause for concern among the banks.

At the other end of the Maghreb, the Tunisian debt is growing slowly but so far gives little cause for concern. However, the authorities are running a tight ship.

As receipts from tourism and crude oil sales decline, the weakness of the balance of payments is further underlined. And the decline in reserves since last December is giving cause for concern: from $557m they have fallen to $283m, barely enough to cover 1-1½ months-worth of imports, as calculated on the trade balance.

The Tunisian name remains good in the market but the room for manoeuvre, were the authorities to borrow much more, is not very great. It is highly unlikely that the authorities, particularly the Central Bank which has always been very prudent, would wish to risk the country's reputation by borrowing large sums.

Algeria, meanwhile, remains aloof from the international capital markets. Last year it raised over $1.5bn on very fine terms, causing a scramble to buy paper among international banks more reminiscent of the late 1970s than the more austere 1980s. This year Algerian borrowers have been conspicuous by their absence.

Whether that absence continues much longer is open to question. What is not is that Algerian authorities have much greater freedom than those in their two neighbouring countries about how they raise money abroad. Importing as they do around $9bn-worth of goods a year, the exact mix of buyers' credits, suppliers' credits—much in vogue at present—some aid and floating rate debt tends to change according to the view taken in Algiers on U.S. interest rates and the commercial relations with given countries.

The percentage of floating rate debt has been sharply reduced in recent years because the authorities paid dear for the large volume of floating rate dollar-denominated debt that was built up throughout the 1970s. Long-term fixed-rate credit is certainly in favour today.

By December 1984, the country's drawn debt will have fallen to just under $15bn, after an $800m decline in 1983 alone. Officials hope that the fall will continue even though the repayment schedule now under way is heavy. Such a continuous decline is, however, predicted on Algeria's ability to maintain its foreign income and rein in its imports.

So far the foreign income of Sonatrach has held up well: this year the state oil and gas monopoly's foreign earnings are running slightly above the 1983 figure. That is less than the hoped-for increase but the authorities are running imports tightly.

### Crucial role

One internal factor which has played a crucial role in helping the Treasury to avoid tapping the international capital markets is the fact that about two-thirds of the state's income is now derived from taxes on individual Algerians and the non-hydrocarbon sector. State income from non-hydrocarbon sector indirect taxes increased by 25 per cent in 1983 alone, after moving up by 18 per cent in 1982.

This growing role of the non-hydrocarbon sector and the consequent lower dependence of the state on exports of oil and gas must continue if the country is to move away from the dependence on oil and gas export receipts which had been the rule until recently.

Nineteen eighty-four will probably prove to be the third year running in which foreign borrowing will be lower than debt repayments, and the aim is further to reduce the burden of foreign debt so that the drawn debt does not amount to more than the country's annual foreign income.

Algeria has also benefited from the strength of the dollar — indeed all its foreign income is in dollars while about half its expenditure is in much softer currencies. So far the heavy repayment schedule it is facing (SDR 4bn in 1982, SDR 4.5bn in 1983) has pushed its reserves down, but not to less than three months cover of imports, exclusive of gold.

One thing is sure, were its foreign income to come under pressure the Algerian authorities would, as they have done in the past, cut back on imports very quickly.

So, while Morocco faces an uphill struggle to service and renegotiate its foreign debt over the next year or so and Tunisia continues upon its traditional path of prudence, Algeria can afford to take a somewhat more relaxed view of its external financial position — in particular where its debt is concerned.

**Algeria**

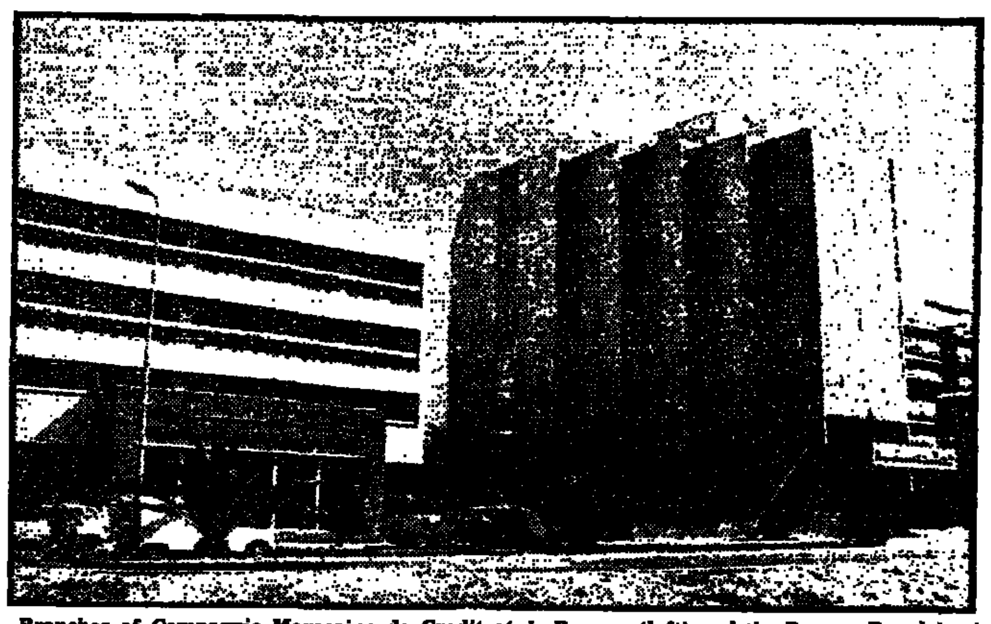
| | 1983 $bn | 1984* $bn |
|---|---|---|
| Exports | 11.4 | 12.5 |
| Imports | 8.5 | 8.6 |
| External debt service | 3.0 | 3.0 |
| Principal interest | 1.2 | 1.2 |

*Projection for the year. The first six months of these forecasts are being borne out by the results.

**Tunisian debt**

| | 1983 | 1984 | 1985 | 1986 |
|---|---|---|---|---|
| Total drawn foreign debt ($bn) | 2.95 | 3.4 | 3.7 | 4.1 |
| Repayments due ($m) | 461 | 504 | 576 | 642 |
| Debt service ratio (%) | 19.1 | 19.6 | 20.6 | 21.1 |

Source: Central Bank of Tunisia



Branches of Compagnie Morocaine de Credit et de Banque (left) and the Banque Populaire in Agadir, Morocco

**Algeria debt**

(summary of public and publicly guaranteed medium-term disbursed external debt outstanding)

| | 1979 | 1980 | 1981 | 1982 | †1983 |
|---|---|---|---|---|---|
| | (SDr m) | | | | |
| Total external public debt | 20,272.4 | 20,389.5 | 19,446.4 | 18,375.7 | 17,356.7 |
| Disbursed | (12,242.6) | (12,806.9) | (13,195.5) | (12,598.4) | (12,200.0) |
| Undisbursed | (8,029.8) | (7,582.6) | (6,270.9) | (5,777.3) | (5,156.7) |
| Disbursed debt by lender: | | | | | |
| Private bank credits | 7,013.6 | 7,392.7 | 7,479.0 | 7,105.6 | ... |
| Suppliers' credits | 3,310.0 | 3,177.4 | 3,294.5 | 2,976.1 | ... |
| *Loans from governments* | 1,472.7 | 1,793.4 | 1,957.3 | 2,079.3 | ... |
| Bonds | 260.3 | 244.4 | 228.5 | 183.8 | ... |
| Loans from international organisations | 186.0 | 199.0 | 236.2 | 253.6 | ... |
| Average terms of disbursed debt outstanding: | | | | | |
| Average interest rate (in per cent) | 8.2 | 8.4 | 8.5 | 8.7 | ... |
| Average maturity (years) | 11.5 | 11.4 | 11.3 | 11.4 | ... |
| Average grace period (years) | 4.1 | 4.1 | 4.0 | 4.0 | ... |
| Grants element (in per cent) | 9.2 | 8.3 | 7.7 | 6.3 | ... |
| | % | % | % | % | % |
| Ratio of disbursed debt to total, including undisbursed | 60.4 | 62.8 | 67.8 | 68.6 | 70.3 |
| Ration of disbursed debt to GDP (in current prices) | 48.2 | 39.6 | 35.8 | 31.0 | 26.8 |
| Ratio of disbursed debt to merchandise exports (fob) | 166.8 | 122.1 | 110.2 | 103.0 | 99.3 |
| Ratio of disbursed private bank credits to total disbursed debt | 57.3 | 57.7 | 56.7 | 56.4 | ... |

† Estimated.

Source: IMF staff report for 1983 (predictions for 1984 figures).

# Arab Banking 4

# Stricter private borrower criteria

## Gulf Debt

MARY FRINGS

NAME-LENDING to the Gulf private sector and heavy concentration on the Saudi construction industry are causing bankers more headaches than their Arab country debt exposure.

*Nevertheless the external borrowings* of the Arab countries have increased from some $5bn in 1970 to more than $90bn in 1983, according to United Gulf Bank economist, Dr Henry Azzam.

Debt service ratios have been contained within manageable proportions mainly because the net exporters of capital—Saudi Arabia, Kuwait, the United Arab Emirates and Qatar—have been *generous in extending* "soft" loans to their less well-endowed neighbours. So far, only two countries, Morocco and Sudan, have fallen behind on their payments and are trying to reschedule them.

### Heaviest borrowers

The heaviest borrowers are Algeria, Iraq, Egypt and Morocco, but the external debt of Somalia, Mauretania, Sudan and Democratic Yemen (PDYR) constitutes a much higher percentage of their GDP.

Algeria has a good international credit rating and two well-received borrowings in 1983 brought in a total of $1.5bn. This reduced the net effect of large principal repayments due on debt contracted during the 1970s. Arab Banking Corporation's (ABC) economics department says further foreign *borrowings will be in the nature* of refinancing operations designed to protect the country's reserves, rather than for development.

Excluding long-term credits of over $20bn from Gulf states, ABC puts Iraq's external debt at only $6.5bn. But the four-year-old war with Iran, which is estimated to be costing Iraq $1bn a month, is putting an intolerable strain on the country's financial reserves and is draining the whole area of funds.

While Saudi Arabia and Kuwait can afford *to pour* money into Iraq's war effort, poorer countries like Jordan (which has some $200m out on credit to Iraq in order to maintain its own exports) could face increasing pressure on their balance of payments position.

Most bankers take a sanguine view of Iraq's long-term prospects, pointing out that in 1979, Iraq created a surplus of more than its current war effort debt, *and that GDP growth in that* year was over 20 per cent.

Cash payments for imports have now been replaced by credit arrangements, since the international community has been both sympathetic towards Iraq's current difficulties and mindful of the huge reconstruction and development potential once the war finally comes to an end.

A number of rollover financing facilities and export credit lines backed by both Britain's ECGD (Exports Credit Guarantee Department) and France's COFACE were reportedly arranged more quickly this year than last.

The end of the war is expected to sweep away the major obstacle to the continued growth of regionally-oriented Arab banks' lending portfolios—that is the shortage of good quality business at a time when government-backed *projects* started in the boom years are coming to an end, and very few new ones are going to tender. *In the words of a Bahrain-based* credit and marketing manager: "For the past four or five months there has been no business available of the kind we would want to have on our books."

Iraq is seen as having the best potential, but many banks are equally interested in Iran and also believe that the end of the war will have a favourable impact on the economy of Kuwait.

Among the other heavily indebted states, Morocco is in the process of rescheduling the commercial *part of its debt* (estimated at $3.7bn) as well as close to $1bn of government to government loans, following approval of a new IMF (International Monetary Fund) standby credit early this year.

The least solvent country appears to be Sudan, also *involved in rescheduling*, and only substantial international aid is keeping its economy afloat.

*Egypt, on the other hand, is* given a moderately good credit rating and has been managing *to service its debt, although* ABC says there is some concern over the size of principal repayments due in the second half of the 1980s.

Lebanon is still under-borrowed and relatively liquid, but its economy is being exhausted by war and civil strife and the political risk *factor (which has rebounded on* to neighbouring Syria) remains as high as ever. Meanwhile the least developed countries of the Arab world, the two Yemens, Somalia, Mauretania and Djibouti, suffer from their lack of access to international markets.

The six Gulf Co-operation Council (GCC) countries, by contrast, are considered to have low (Saudi Arabia) to moderate (Kuwait, Bahrain, Qatar, the UAE and Oman) political risk, very good access to international markets, solid liquidity and *solvency indicators and prospects* of economic growth.

Most banks doing business in the Middle East are comfortable with their level of country risk exposure there, but are beginning to apply much stricter credit criteria to private sector business than they did in the past.

### Development boom

Lending to "prime names" on the strength of their reputation and business or family connections is a time-honoured practice in the Arab world. During the development boom which lasted until 1980-81—and of course long before it—few of the "old-style" bankers *would have insulted their best* customers by asking for detailed financial information (which frequently did not exist or was not readily available). "We know the people, they are the first class names," was recommendation enough.

The lender's protection lay in intimate knowledge of the market (to enable him to distinguish between the "creme de la creme" and those who merely sought to *emulate* them), and an economic climate in which everyone was making money. The real danger arose when lenders failed to make the necessary distinction, times became harder and some of the more exuberant borrowers began to be over-extended. But it was the "crash of '82" in *Kuwait's unofficial stockmarket*, the Suq al Manakh, that finally proved the fallibility of the traditional measures of credit-worthiness.

The problems which banks are now beginning to experience with their project-linked Saudi credits are not entirely unrelated, since many of them hastened to extend loans, guarantees and performance bonds to companies which won *multi-million dollar* contracts, without scrutinising closely enough the quality of the company's management and its capacity for financial planning.

### Rapid expansion

In some cases Saudi *companies expanded so rapidly that* they did not have time to build up an organisational structure in keeping with the volume of work in hand. In others, the proprietor insisted on retaining personal control of the administration and finance. But as long as technical competence was maintained, money kept flowing in and cash and liability management did not seem important.

All that changed towards the end of 1982, when oil price and production cuts led to a substantial shrinkage of the Saudi *economy and a transformation* of government spending patterns which affected all *aspects of private sector business*.

Contracting companies which grew up in the boom years found it difficult to adjust to the new environment, and had no cushion of liquidity to fall back on. Bankers suspect that some companies which took loans for construction purposes had "downstreamed" them into other ventures, but neither trade nor rented properties were *bringing in the same profits as* before. Others, like the Shobokshi Group, had committed their own resources to investments at home and abroad which failed to produce the expected return and could not easily be realised.

The adjustment process was made more difficult by sudden changes in the rules of the game—for example, the decision by the Saudi Finance Ministry *to cut by half the 20 per cent* advance payment on government contracts. This was disastrous for contractors who lived from hand to mouth, using advance payments to settle the wages of their workforce for the previous month, and long overdue bills for the purchase of materials or the hire of equipment. Some were tempted to put in unrealistically low bids for new contracts, just to win *an award and arrange new* credits on the strength of it. Saudi companies have not been *the only contractors to face* problems, but when Keang Nam had a cash crisis earlier this year "Orea Incorporated" moved smoothly into action and Dealim took over management of its contracts.

### Company failures

Although company failures can frequently be blamed on poor management and financial planning, the best management in the world is of little help if a contractor is the victim of infighting over priorities between government departments, so that progress payments are delayed not for weeks but for months.

This is the cue for lending banks to demonstrate maturity and "appreciate the problems the customer is having," according to one Bahrain banker, who adds that there is "no reason to get panicky."

There is no doubt, however, that bankers have sweated over a number of guarantees and are becoming increasingly worried over a liquidity squeeze which is affecting not just a few isolated contractors but the whole Saudi construction industry. They will be examining any new credit proposals with extreme caution—and "names" will not count for very much.

**External public debt of selected Arab countries**

| | External public debt outstanding and disbursed | | | | | Debt service | |
|---|---|---|---|---|---|---|---|
| | U.S.$bn 1981 | U.S.$bn 1982 | U.S.$bn 1983* | as % of GDP 1982 | as % of exports and invisibles 1982 | Interest payments U.S.$m 1982 | principal repayments U.S.$m 1982 |
| Bahrain | 0.42 | 0.47 | n/a | 9.5 | 14.7 | 20 | 39 |
| Algeria | 14.4 | 13.9 | 16.0 | 34.9 | 162.2 | 1,593 | 2,210 |
| Iraq | 15.0 | 22.0 | 30.0 | 72.0 | 299.5 | n/a | n/a |
| Jordan | 1.6 | 1.7 | 2.3 | 44.1 | 60.0 | 140 | 210 |
| Tunisia | 3.2 | 3.2 | 4.0 | 40.6 | 120.0 | 227 | 341 |
| Syria | 2.3 | 2.7 | 2.8 | 14.7 | 60.3 | 117 | 335 |
| Oman | 0.56 | 0.69 | 0.9 | 10.7 | 21.8 | 27 | 81 |
| Lebanon | 0.25 | 0.29 | 3.5 | 11.3 | 12.6 | 17 | 52 |
| Egypt | 13.9 | 15.5 | 18.0 | 48.9 | 310.8 | 800 | 1,580 |
| Morocco | 7.9 | 11.7 | 13.0 | 79.2 | 360.6 | 1,200 | 1,800 |
| Sudan | 4.8 | 7.8 | 8.0 | 113.0 | 733.8 | 235 | 456 |
| Somalia | 0.88 | 1.06 | n/a | 142.4 | 422.7 | 16 | 49 |
| Mauretania | 0.83 | 0.95 | n/a | 132.1 | 576.8 | 33 | 91 |
| Yemen Arab Republic | 1.09 | 1.37 | 2.0 | 43.5 | 99.5 | 21 | 76 |
| Dem Yemen | 0.64 | 0.76 | 1.1 | 84.8 | 123.0 | 7 | 41 |

* Estimated

Source: United Gulf Bank drawing on World Bank and Arab Fund for Economic and Social Development reports.

# Continued decline amid signs of resentment

## Arab Aid

RICHARD JOHNS

ARAB OIL-producing states disbursed $63bn in concessional assistance between 1973-82, the Organisation for Economic Co-operation and Development has calculated.

Not all was development aid in the normal sense. About half would have been grants to the Arab "confrontation states"—Syria, Jordan and the Palestine Liberation Organisation—given a commitment by the Arab oil-producing states at the Baghdad summit conference in 1978 after Egypt's peace treaty with Israel.

But the OECD arithmetic does not include the $25-30bn in financial assistance to Iraq from the other Arab oil-producing states of the Gulf since 1981. Excluded also would be much of the unpublicised bilateral aid given by Saudi Arabia to countries such as Pakistan.

The political component has been great. But at least the disbursements were a massive recycling of petrodollars. Most support came from Saudi Arabia—about $20bn. But even without this, the contribution of the four principal donors—Saudi Arabia, Kuwait, the United Arab Emirates and Qatar—was between 12 per cent (in 1973) and 3 per cent (1982) of their GNP over the decade.

### Missed target

This compared with the OECD target of 1 per cent for its members, a target which few have met.

Institutionalised aid channelled through a dozen regional agencies—the most stable source and not subject to political vagaries—has amounted to about $20bn since the oil price explosion of 1973-74. About half has been absorbed in the poorer Arab countries.

According to the OECD, between 1973 and 1982 Saudi Arabia contributed $37.87bn, Kuwait $9.29bn, the United Arab Emirates $8.05bn, Iraq $2.95bn, Qatar $2.15bn, Libya $1.77bn, and Algeria $859m. The volume peaked in 1980 at $9.62bn declining to $8.41bn in 1981 and $6.70bn in 1982. According to the OECD's preliminary estimates, "Arab Opec" aid fell to $5.47bn last year.

With the fall in oil production and squeeze on revenue, aid has continued to decline *amid signs of resentment* against the scale of obligations. The Kuwait National Assembly, for instance, decided in June on a 39 per cent cut in aid agreed at the 1978 conference to Syria, Jordan and the PLO. The parliament's financial committee had gone so far as to propose cutting off Syria.

A ministerial committee was appointed last month to review the country's economic assistance programme and, in particular, political guidelines for the future.

In 1983, commitments made by the eight main regional organisations fell by 24 per cent to $1.94bn following a drop of six per cent in 1982. They are the Abu Dhabi Fund for Arab Economic Development, the Arab Bank for Economic Development in Africa, the Arab Fund for Economic and Social Development, the Iraqi Fund for External Development, the Islamic Development Bank, the Kuwait Fund for Arab Economic Development, the Opec Fund for International Development, and the Saudi Fund for External Development. Arab members accounted for 63 per cent of OFID's pledged capital contributions of $861m at the end of 1983 and almost 85 per cent of paid-up capital of the Islamic Development Bank totalling 768.5m Islamic dinars (the same parity as Special Drawing Rights).

Although it is not a member, the committee also collaborates with the Arab Monetary Fund established in 1977 as a regional equivalent to the International Monetary Fund to help promote Arab economic integration.

The eight agencies are linked through the co-ordination secretariate established at the Kuwait headquarters of Arab Fund for Economic and Social Development, which has become the focal point of collaboration. Co-operation has made possible some pooling of expertise and knowledge as well as joint financing. The group also consults with the World Bank and the OECD development assistance committee.

The collective emphasis of the eight is shifting from infrastructure projects to agriculture, particularly in the Arab world and sub-Saharan Africa. The multilateral agencies are also seeking means of promoting inter-Arab trade.

Doyen of all the aid agencies, long predating their proliferation after 1973 and the model for them, is the Kuwait Fund for Arab Economic Development. Established in 1961 against Iraqi territorial designs it also operated on strict economic, financial and technical criteria in project appraisal. It set a precedent in lending terms—typically, interest rates of 2½ to 3½ per cent, grace periods of three to five years, and repayment periods of 20-25 years.

Now capitalised at nearly $3.5bn, KFAED extended operations to the whole of the Third World as well as Arab countries in 1974. Up to the end of 1983 it had approved loans worth $4.25bn putting it in first place, marginally ahead of the Saudi Development Fund and giving it a 23 per cent share of the total lent by the eight agencies.

The Arab Fund for Economic and Social Development started operations in 1973 and now has a capital of 800m Kuwaiti dinars. It increased lending last year by 12 per cent and by the end of 1983 had extended 130 loans worth the equivalent of $1.87bn. AFESD does not expect any slowing of its activities and is planning to lend at the rate of KD 100m annually over the next five years.

Growth and performance of the funds has varied widely. Loan approvals by the Abu Dhabi Fund for Arab Economic Development, which started operations in 1974, reached a peak of $215m in 1978 but had declined to only $25m in 1983, when the cumulative total reached $1bn. The Saudi Fund for Development started in the lending business in 1975 and by the end of last year had committed $4.15bn. Loan approvals, however, fell to $372m in 1983 compared with $611m in 1982.

Lending by the Opec Fund for International Development is also on the decline, falling from a high point of $400m in 1978 to $212m in 1983, when the cumulative volume had reached $1.8bn. In March, its governing board decided to limit allocations to $110m in 1984 and 1985 while a review of future policy is carried out.

The Iraqi Development Fund, somewhat more politically orientated than the others, started just over a decade ago and lent $770m. But with past approvals totalling $1.7bn, it committed nothing last year because of the war and the financial condition of the country, which has now become a substantial debtor.

Lending by the Khartoum-based Arab Bank for Economic Development in Africa dropped by 7 per cent last year to $89m, but with its capital raised by $250m to nearly $1bn it plans a 5 per cent growth for the next five years. However, it has decided to limit loans to $15m for any one project.

The Islamic Development Bank, the latest entrant, which commenced financing in 1977, is a markedly different creature from the others. In accordance with Islamic precept, it does not charge interest, merely an administrative commission. It takes an equity share in some projects but has tended to concentrate on trade finance, particularly for goods required for development projects as well as raw materials.

The last batch of loans announced involved ammonia for Tunisia, equipment for a copper project in Mauritania, the construction of three dispensaries in the Comoro Islands, and part-financing of an Islamic university in the Philippines.

The build-up of operations has been rapid, with commitments last year reaching $3bn, nearly all of which would have been disbursed.

Though not strictly an aid agency, the Arab Monetary Fund is involved with the group of eight because of its mandate of easing the problems of countries with balance of payments difficulties.

Sadly, the Abu Dhabi-based AMF is in some trouble. Last year it stepped up activity considerably, disbursing the equivalent of $311m—more than double the level of 1982. The fund also began lending under a new programme designed to promote inter-Arab trade to the value of a further $28m.

Members also agreed to raise its capital from 288m Arab Accounting Dinars to 600m (rather more than $1.8bn—one AFF equals 3 SDRs), with subscriptions due in convertible currencies over five years. But payments have lagged badly behind schedule.

A serious blow to its image and credibility came with allegations relating to former employees that more than $40m was lost as a result of financial irregularities.

Ernst and Whinney were called in to do a special report and have been appointed AMF's auditors in place of Tala Abu-Ghazaleh, the Kuwaiti-based Arab accounting firm.

# A rosier tint to the financial horizon

## Iraqi Debt

TERRY POVEY

AFTER four years of war, Iraq has managed to stabilise its financial position. Imports have been cut in half, major suppliers are giving credits and accepting payment deferrals and the prospect of increased oil exports is producing a slightly rosier tint along the financial horizon.

During 1983, say bankers, Iraq completed a series of fairly drastic adjustments to its spending plans. This process arose from Baghdad's acceptance that not only was the Gulf war unwinnable by Iraq but that it was going to be with it for years to come.

The basic numbers of the new Iraqi financial position are as follows for 1984:

| | |
|---|---|
| REVENUES ($bn) | |
| Oil | 10 |
| Saudi Arabian and Kuwaiti oil | 2 |
| TOTAL | 12 |
| FOREIGN EXCHANGE EXPENDITURE: | |
| Imports | 8 |
| Services | 2 |
| Remittances | 0.25 |
| Armaments | 4.5 |
| TOTAL | 14.75 |

The reductions in spending have been impressive. Imports are down from the dizzy heights of $18bn to $19bn of two years ago. Decreases in investment spending are the main reason for the fall. Since 1983 spending on non-strategic projects has been suspended and no new projects of any size have been launched.

According to Mr Taha Yassin Ramadan, First Deputy Premier, Iraq's rulers have made the "political decision to overrule suggestions to bring the economy to a standstill. Economic stability will be concrete and lasting in 1984," he said in January.

On the military spending front Iraq has got over the hump of re-equipping and has reduced outgoings to some $400m a month—just a bit more than that of its opponent, Iran. In 1982, Iraq was spending $1bn a month on arms.

Both France and the Soviet Union appear more than willing to cover most of this through generous credit arrangements. Russia has put in place a $2bn long-term low interest rate facility and France's export credit agency, Coface, has taken on cover for $1.11bn military supplies for 1984.

On the revenue front Iraq is no longer receiving large sums from its Arab allies. "Probably these agree to cover the occasional bill but it's nothing big any more; they just don't have the money," said an Arab banker.

What Iraq still receives is the compensating oil from both Saudi Arabia and Kuwait and this has now become the major form of direct Arab aid to the country.

The most encouraging off-balance sheet item, however, has to be the prospect that the spur pipeline that will connect southern Iraq with the trans-Saudi petroline is to go ahead soon. In late September the BEM consortium of French, UK and West German companies heard that they were not to get the contract and almost certainly the grouping headed by Italy's Saipem will emerge as the tender winner.

Although there are some rather fanciful completion dates going the rounds, realistically once can expect oil to be flowing through the spur by 1986. Once the project begins a fairly complete revival in supplier confidence is expected, and with it an even greater willingness to agree credit lines and payment deferrals.

This leaves 1985 as the real cloud on the horizon. For then a fairly large number of 1983s payment delay agreements will fall due. The basic numbers given above will not have changed much—bankers say that imports could be depressed a bit further—and with reserves that are for all intensive purposes negligible there will be a clear payments hump.

The additional sums to be met in 1985 could well be as much as $3bn and a further squeeze on the economy seems inevitable. Bankers consider, however, that there is little prospect of Iraq seeking further syndicated loans.

The revenues expected from the spur are of the order of $5bn a year once the flow reaches 500,000 b/d—that is once the new pumping stations are installed on the Petroline. Until then Iraq will have only 300,000 b/d going through the spur.

### Pumping stations

There must even be the possibility that Iraq will have to turn once again to its Arab allies for help during 1985, although the country's bankers are hoping not to have to resort to this.

Total external debts of Iraq are now estimated at $30bn—about $6bn of which are due to non-Arab states. Kuwait's loan of $2bn made in 1981 was due to have its first payment made last year, but Iraq is believed to have said that repayments were not possible yet and to have had this accepted.

As for its trade and development financing, Iraq's bankers have been "very carefully planning the repayment and revenue's phasing so as to make sure there are no shortfalls," said a Western banker. "There will be delays and these are liable to grow as 1985 dawns. But in the end everyone will get paid," he added.

Mr Ramadan said that "accruals will bear interest and will be paid according to agreements." Some 800 projects have been the subject of negotiations with eight committees, each headed by an Iraqi minister.

Iraq remains clear on how to treat those who prefer it help (credit) during its time of need. "We will never forget the honourable help of friendly countries," said Mr Ramadan.

A good indicator of the effects of the general cutback in spending in Iraq can be found in the results of the state owned Rafidian, the country's only commercial bank. In 1982 the bank had net profits of ID 229.2m ($700m), sharply down on the $900m recorded for 1981.

The fall was blamed on "reduction of expenditure on some projects and postponement of the execution of others." Advances and loans were up 3 per cent to total ID 1.97bn.

In 1983 profits fell again, and even more sharply, to ID 118m. Interest earnings dropped very heavily, by 52 per cent, to ID 114m despite an 85 per cent rise in loans and advances to ID 3.64bn.

The bank's 1983 profits would have been even harder hit except for a more than two-thirds boost in earnings from investments; something which it owes very much to government accounting policy. It may still be difficult to share the optimism of some bankers with regard to Iraq but the feeling is increasingly that having hit rock bottom (although maybe this will really be next year) things can only get better.

Yet there are still more than a few clouds about. No banker or supplier can be absolutely certain about the outcome of the Iran-Iraq war. The Turkish pipeline has been expanded (little hope exists for the further expansion that has been mooted) but remains vulnerable to attacks both militarily and politically.

Further, the attitude of both Saudi Arabia and Kuwait to the 300,000 b/d of compensating oil once the spur is in place is unclear. Should they both feel strapped for cash by that time, they may want to reduce or even end this form of subsidy to Iraq. This would mean only a maximum net increase of $2bn on the revenue side, hardly enough to meet the deferred payments.

# Oil-producers begin to draw on investments

## Reserves

RICHARD JOHNS

THE decline in the fortunes of Arab oil-producing states of the Gulf, whose wealth has been the driving force behind the remarkable growth of banking in the region over the past decade, has at last been halted.

Following the period from 1980-83 when the states' oil production and revenue fell by about 45 per cent, output this year was about 10 per cent above last year's level.

The appreciation of the dollar, meanwhile, has more or less compensated for the $5 per barrel cut in oil prices of March 1983 against a basket of currencies accounting for the bulk of the Gulf's import trade.

Such relief as there has been, however, has been minuscule in relation to the precipitous fall in demand for oil as a result of the 1979-80 oil price escalation and the austerity imposed on producers as a consequence.

### Plummeted

According to the estimates of the Royal Dutch/Shell group, collective petroleum revenue of the Organisation of Petroleum Exporting Countries plummeted by 42 per cent from a high point estimated at $275bn in 1980 to $160bn last year.

Proportionately, the four Gulf states, which had been regarded as those perennially in surplus —Saudi Arabia, Kuwait, the United Arab Emirates and Qatar—were harder hit. Their income from oil dropped by a half from about $145bn to $72bn, over this period.

The Bank of England reckons that at the end of 1983 the financial assets of the oil exporters amounted to $346.8bn. Last year the group as a whole drew upon funds deployed abroad to the extent of nearly $20bn.

The accumulated Opec surplus is more than ever an Arab one concentrated in the hands of four producers. Saudi Arabia, Kuwait, the United Arab Emirates — or more precisely Abu Dhabi — and Qatar would have accounted for more than two-thirds of the total identified by the Bank of England. Well over half of it is deployed by Saudi Arabia and Kuwait.

The Saudi Arabian Monetary Agency (SAMA) has always been insistant that the surplus funds at its disposal are held for the day when they will be required for disbursement.

With the fall in oil production by nearly a half between 1981 and 1983 the Kingdom's reserves now appear in retrospect more of a prudent provision especially when the massive aid to Iraq to sustain it in the conflict with Iran is taken into account.

The Saudi Government was forced to draw $10bn from reserves, or the income from it, in its 1983-84 financial year. That was the equivalent of 15 per cent of actual expenditure, though the amount would have been rather more than $20bn if outlays projected in the budget had been fulfilled.

For the current financial year the deficit has been forecast at $13bn. In the event, the amount will depend on the spending performance—the target is set at the same level as 1983-84—and the level of oil production.

Saudi Arabia's foreign assets, as recorded by the International Monetary Fund, reached a high point of nearly 500bn riyals, then the equivalent of $145bn, at the start of the last quarter of 1982. The figure included cover for the national currency which then amounted to nearly SR 82bn ($23bn).

### Political motivation

In addition, SAMA controlled at this point foreign exchange reserves—deposits and instruments with a maturity of less than 12 months—of $25bn plus 4,567 ounces of gold. The most recent figure for foreign assets at the disposal of SAMA recorded by the IMF was for the end of 1983 when they stood at SR 464.17bn ($132.8bn). Foreign exchange reserves were then $17bn and gold holdings had increased marginally.

It should be stressed that a significant proportion of them—loans to other countries (in particular Iraq), the IMF and the World Bank — could not be utilised in an emergency.

Holdings of West German and Japanese bonds, in addition, should be regarded as quasi-loans, with their purchase having been partly political in motive in the first place. Actual liquidity would be more like $90bn.

In line with the conviction that the funds in the State General Reserve will be required for development sooner or later, SAMA has always kept a large proportion of assets liquid in the form of short- and medium-term assets of an easily negotiable nature. SAMA does not pursue what would be generally regarded as an active portfolio management even if it has become more concerned of late to obtain the best return.

Some 35-40 per cent of the total, excluding the loan element described above, is in the U.S., mainly in Government securities, which could account for $25-$30bn. There are private placements with prime corporate borrowers and equities included in portfolios managed by leading American banks. Deposits with banks in the U.S. have been relatively small.

Saudi funds with non-U.S. banks in the reporting area of the Bank for International Settlements amounted to $31.9bn at the end of 1983, according to the most recent figures released by the BIS. A year before, these deposits were at $41.8bn, a clear indication as to where reserves were drawn upon last year.

Apart from the U.S., Japan and West Germany have been the countries most favoured by SAMA for investments with perhaps the equivalent of $10bn in each of them. SAMA's purchase of Japanese Government bonds dates back to an agreement in 1980 allowing it to purchase $2.4bn of them.

Under an accord with Bonn, also in 1980, SAMA was given the go-ahead to purchase DM 5m worth of short-term government promissory notes, a facility which has been twice extended on an annual basis.

Over the past five years SAMA has succeeded in reducing the dollar component of its foreign assets, which formerly accounted for nearly all of them, to somethig like 75 per cent. Originally its wish to do so was because of the dollar's weakness. Yet, since the U.S. currency's resurgence, SAMA is said to have been a net seller of dollars rather than a buyer, because of its concern not to destabilise the markets.

The impression is that the agency has been taking the opportunity to obtain higher returns where it can, although it is as wary of risk as ever.

Kuwait has adapted as well as any oil producing state to the depressed oil output and the squeeze on revenues.

Having recorded deficits of KD 112.2m ($390m) in 1981-82 and KD 591.4m ($2bn) in 1982-83 the final results for the past fiscal year which ended on June 30 are expected to show a surplus thanks to higher income and lower expenditure than forecast, rather than the anticipated deficit of KD 339m ($1.15bn).

### Ploughed back

In view of the actual performance in 1983-84 the projected deficit of KD 780m ($2.7bn) may prove to be based on the most pessimistic assumptions.

In practice, the budget includes the annual allocation to the Reserve Fund for Future Generations (RFFG) into which under the statutory law, 10 per cent of revenue must be paid, as well as the annual capital payment to the Kuwait Fund for Arab Economic Development.

At the same time it excludes income from investments, which currently is reckoned to be running at at least $6bn a year, sufficient in its totality to pay for over half of spending.

The return from assets making up the State General Reserve would have been sufficient to cover the deficits in 1981-82 and 1982-83. Income from the RFFG, the capital of which cannot be touched until the next century, is ploughed back. It must now be over half of the state's total reserves, which amounted in mid-1983 to $74.4bn.

Total reserves at the command of Kuwait's Ministry of Finance are not exclusively foreign. They include investment in a number of domestic companies in the mixed and private sectors as well as loans to countries, the IMF etc.

Kuwait investment policy has been a consistent one, aimed at obtaining sound long-term investments giving a reasonable rate of return. The managers of its funds have eschewed speculation while seeking to achieve a wide spread of investments.

The bulk of Kuwait's holdings are in the U.S. where it has concentrated for the obvious reason that it is the biggest equity market, and also the world's biggest economy, and also politically stable. About two-thirds of Kuwait's assets are in dollar-denominated instruments. It is believed to have shares in all the top 500 American corporations. The Finance Ministry has kept a roughly even balance between bonds and equities with real estate making up 5 per cent or so of the investment portfolio.

Some, at least, of these purchases are said to be made through banks. Kuwait is also known to have two property portfolios in the U.S. managed by Chase Manhattan and the Bank of America.

In the UK the St Martin's Property Corporation, acquired in 1974, is used as a vehicle for real estate purchases. But the Kuwait Investment Office in London continues to play a vital intermediary role.

In the UK the KIO has proved to be a very active trader and one which uses its leverage in take-over situations to extract the best possible price. Over the past five years or so Kuwait has diversified considerably in the direction of the Far East, South-East Asia and Latin America.

Nothing about the content of the RFFG has ever been officially released but it would contain all the long-term blue-chip assets designed for growth, such as the Finance Ministry's 14.6 per cent of Daimler Benz, 20 per cent of Korf Stahl and Khorf Industries, 10 per cent of Metallgesellschaft, and 10 per cent of VW Brazil. All real estate would also be in the trust.

### Expenditure

It is unlikely that Abu Dhabi's deficit in 1983 was as large as the Dh 2.77bn ($753m) projected in the budget of Dh 24.28bn; about 40 per cent of this devoted to United Arab Emirates' federal expenditure.

For the current year the prospective shortfall was set last month a lower level of Dh 1.49bn ($405m), which would mean the third consecutive year of deficit. Nevertheless, it is one that income from the reserves held by the Abu Dhabi Investment Authority should again be able to meet.

Abu Dhabi followed Kuwait's lead when it embarked in the late 1960s on a policy of investing income long-term as an alternative source of income for the future.

Its single most spectacular acquisition was in 1974 when it purchased for $80m 44 per cent of the Commercial Union building in London. That acquisition was made in the days of the old Abu Dhabi Investment Board which was superceded in 1976 by the Abu Dhabi Investment Authority. ADIA has been very discreet about its operations and also the size of its holdings. These are believed to be in the region of $20bn-$25bn, not including inter-Arab loans.

ADIA receives unspent revenue from the Ministry of Finance and also money from the Abu Dhabi National Oil Company which transfers to it 55 per cent of its operating profits, retaining the balance for its own investments—though five years ago it resorted to ADIA for a $1.2bn loan to develop one on-shore gas gathering project.

This summer ADIA extended its control over the Abu Dhabi Investment Company when it bought the 20 per cent in private hands, thus raising its stake to 80 per cent and leaving the balance with the National Bank of Abu Dhabi of which it owns the majority of shares.

ADIC operates in its merchant banking role independently, however. ADIA also has a stake in the Arab Investment Company, the Gulf International Bank and several commercial banks.

ADIA gained a higher profile in June when it bought 12½ per cent of Reuters "B" shares for £71.6m. Hitherto, in line with its policy of discretion, it had no holdings in UK companies above 5 per cent.

Despite a drop in revenue of nearly a quarter to 11.5bn riyals in its 1983-84 financial year (ending in March), Qatar limited its deficit to QR 505m ($104m) compared with a projected one of QR 6.4bn ($1.8bn) as a result of lower spending.

This followed a period of five years when it had recorded a surplus amounting to nearly QR 20bn (over $5bn).

### Strict secrecy

Even though Qatar's investments at the end of 1977 were in the region of $5bn, the IMF estimated their total at about $5bn in an edition of its weekly survey published earlier this year. Preliminary estimates put income at QR 17bn which, if a return of 10 per cent was assumed, would suggest a fund at that point of rather less than $5bn.

Strict secrecy surrounds the size and deployment of this state's long-term assets. They are controlled by a tightly-knit four-man board which is assisted by foreign advisers. It meets every three months and transmits its instructions to portfolio managers through the investment department of the Ministry of Finance.

The two most long-standing are managed by Barings and Hambros, in sterling and dollars respectively. Gulf and Occidental, the Geneva bank which is partly owned by the Qatar National Bank runs two others portfolio managers in Swiss francs, and altogether there are believed to be eight more concentrating on assets in Swiss francs, D-marks and Japanese yen.

# Continued need to seek profits away from home

## Private Investment in the West

RICHARD JOHNS

PARTICIPATION by the Arabian Investment Banking Corporation (Investcorp) in the underwriting and placement of $135.5m-worth of Tiffany's shares is probably an indication of the way in which the region's financial muscle will exercise itself in future.

Last month's announcement bracketing Investcorp with the Lehman Brothers in the issue pointed to a fairly widespread Arab ownership in future of the New York-based jewellery chain. The big Arab entrepreneurs who grew fabulously rich accumulating oil-related wealth in the early 1970s and before will continue to make their weight felt outside the Middle East.

But an increasing amount of Arab investment beyond the region will come from smaller, albeit by most standards substantial, fortunes and be channelled through institutions catering for their needs.

At the same time the flow of private capital from the Arab world will in no way be affected by the decline in the fortunes of the oil-producing states of the Gulf and the disappearance of their financial surpluses. Almost regardless of the movement of oil prices, the region will continue to be a substantial exporter of capital precisely because the scope for investment at home will be far less than it has been over the past decade, as capital expenditures of governments level off, partly in response to lower real revenues but also as a result of the completion of basic infrastructure.

There is, certainly, evidence that contractors and merchant houses have been repatriating funds to ease liquidity problems at home. But the bigger fortunes are into the financial stratosphere, anyway, and most of the medium-sized entrepreneurs, except for a few who may fall by the wayside, will go on seeking profitable outlets away from home.

On the third tier, the "high net worth individual"—or the hinwi as he has come to be called in the banking jargon of the region—has become of sufficiently ample means to be a permanent and growing feature. Mr Hikmat Nashashibi, chief executive of the Al Mal Group, refers to him also as the "Arab dentist," a reference to his prosperous Belgian counterpart with his taste for top quality bonds.

He probably has a second home or two abroad, with London or Marbella being obvious choices. Despite an early proclivity for tangible investments, precious metals are not so appealing as they were and real estate is less of a preoccupation.

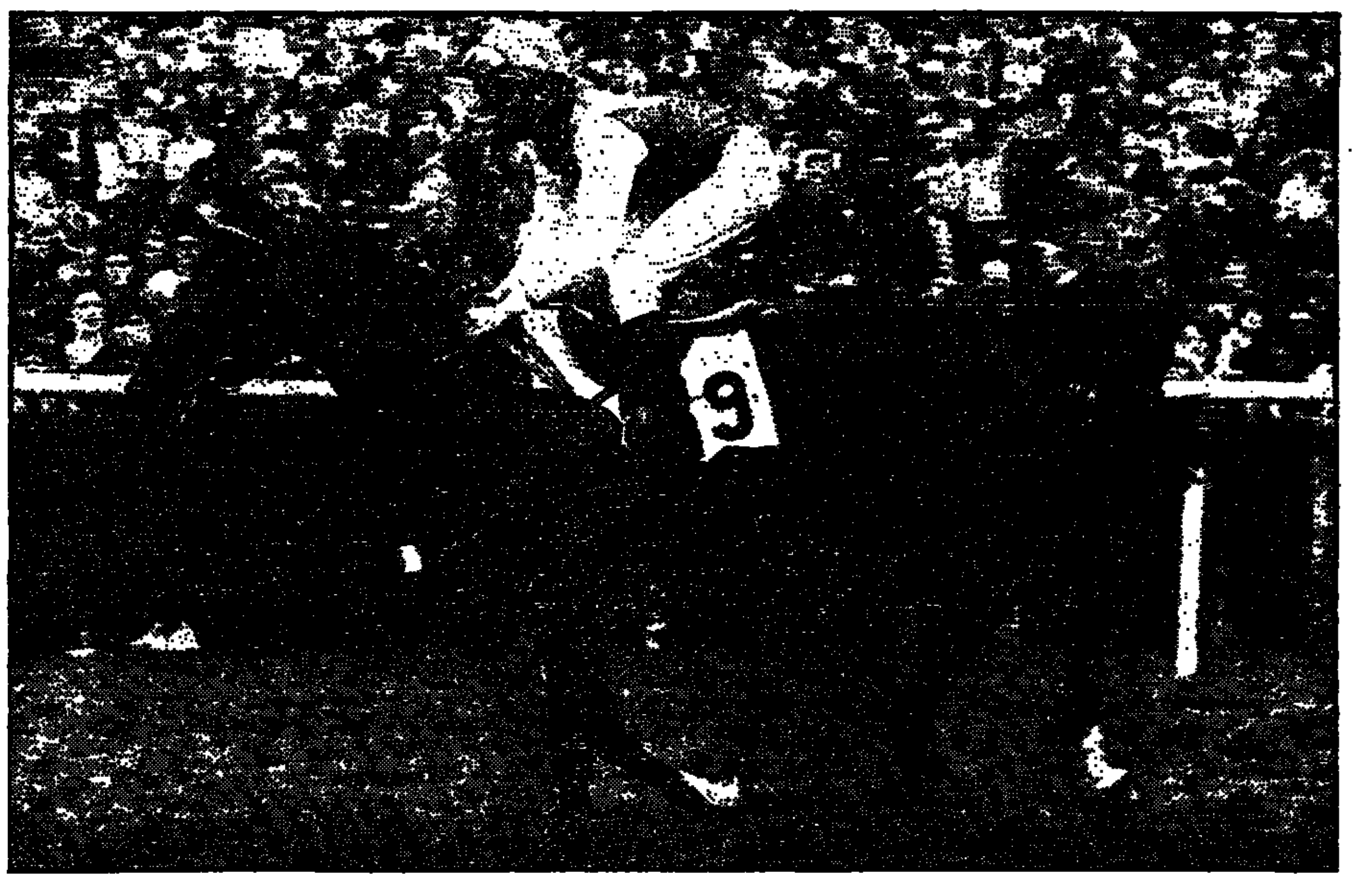
### Lessons

Local bank shares are no longer so attractive to him either. Not the least the crash of the Soukh al Manakh has encouraged him to look beyond the region. The salutory lessons learnt have stimulated interest in sounder and more sophisticated investment elsewhere. So, too, has the long-continuing Gulf conflict between Iran and Iraq.

Investcorp is a Bahrain exempt company and one of the last of the investment companies to be established before the Kuwait debacle became fully apparent. Not only did it have a very large number of subscribers, however, it also set out from the start to concentrate deployment of funds outside the region.

Earlier this year it took a high profile by buying a half share for about $50m in a Los Angeles office building on behalf of clients. Investcorp's first full year of operations was also encouraging. With a paid-up capital of $50m the company had total assets of $81.3m at the end of 1983 when it made a very satisfactory return with a profit of $10.2m.

The initiative taken this summer by Mr Abdelatif al Hamad, the former Kuwaiti Minister of Finance who resigned because the Kuwait National Assembly would not endorse his proposals for settling the Soukh al Manakh affair, was also significant in the circumstances. This summer he established a private investment company registered in Paris but being managed from Kuwait aimed at bringing together compatible Arab investors of good financial credibility.



Rainbow Quest, 1984 Classic colt, owned by Prince Khaled bin Abdullah, the son of the Crown Prince of Saudi Arabia. Other successful Arab investors in European horse racing are the four sons of Shaikh Rashid of Dubai, Maktoum, Hamdan, Mohammed and Ahmed

He succeeded in attracting $100m in lots of less than $1m for a private company which is to make long-term investments—in particular finance, real estate and industry—in the international market.

In another development the Kuwait Real Estate Investment Corporation has raised $20m for a capital fund First Venture Investment Company, aimed at investment in U.S. high technology industries. And, in another pan-Arab initiative, the International Finance and Investment Corporation (Ifincorp) was launched early this year with an operating base in London and a second office specialising in portfolio management in Switzerland.

Several companies have emerged from the Kuwaiti crisis without undue damage precisely because they did not become too heavily involved in the self-consuming financial sector of the Gulf itself.

One which can claim to have done so is the Coast Investment and development Company (Cidco) which was set up in the boom days of 1980 and took a high Arab profile last year with the purchase (together with the Aggad Investment Company) of a 25 per cent stake in New York investment bank Barney Smith.

Registered in Ras al Khaimah but operated out of Kuwait, it limited, at an early stage, its participation in local stocks and made provision for the decline in value of shares and post-dated cheques. In the circumstances the management felt satisfied with a profit of $4m on capital employed last year of nearly $100m, having achieved a return of 11 per cent in the three previous years.

Cidco—also known as Al Sahel Company—was one of eight off-shore Gulf companies given clearance for listing when the Kuwait Stock Exchange reopened last month. Others which were prominently trade like Investcorp and the Sharjah Group, did not make the grade.

The requirement was that they should have achieved a 10 per cent return on shareholders' equity and average dividends of 5 per cent for three consecutive years.

One, at least, which did report publicly satisfactory results last year was the Trans Arabian Investment Bank (Taib), another Bahrain exempt company, which is predominantly orientated towards Saudi Arabia as well as mainly owned by its citizens. Although its profit fell last year to $107.3m, this still represented a return on capital of more than 10 per cent as its assets rose to more than $1bn. Taib has two foreign investment arms involved in putting its own and clients' funds into North American real estate and industry.

The strength of private Arab investors' interest in prime assets in the West was highlighted this spring by the acquisition at the cost of $38m by Al Mal International and ABC Daus, the Frankfurt subsidiary of the Arab Banking Corporation, of a 9.5 per cent stake in Porsche, the prestigious West German car manufacturer, from a member of the owning family.

Established little more than three years ago, the Al Mal group has achieved prominence in the international bond business by pursuing its objective of intermediating between Arab sources of finance and prime borrowers. It has also developed the business of portfolio management for *hinwis* prepared to entrust it, on a discretionary basis, with no less than $1m each.

Set up in 1982 as an open-ended fund to make investments in equities and registered in Luxembourg, Al Mal Trust in the first two years to April of this year recorded a growth of 41 per cent. Mr Hikmat Nashashibi, its chief executive, says that the company's clients include many investors from the deficit Arab countries as well as oil producing states.

He stresses the growing taste among Arab investors for bonds as high-income quality investments which also provide maximum liquidity. Having long provided customers with assistance in the real estate market, the United Bank of Kuwait has recently built up its portfolio management business, including individuals of much more modest means than those satisfying Al Mal's minimum requirements. To handle the funds UBK has established a subsidiary in Guernsey. UBK says that the volume has grown substantially and now amounts to half that which it is channelling into property on behalf of clients.

Generally, though, the active role played by Arab banks in the syndicated loan business has not been matched in any way by their performance in international capital markets. The need for a much further development of management, staffing and skills is clear if they are to play a comparable role in managing clients' funds.

Substantial merchants of the Gulf have had the sophistication and means for some years now to undertake their variegated investments abroad through departments within their own organisations—notably businessmen such as Mr Kutayba Alghanim of Kuwait and half a dozen of the more prominent Saudi Arabians like Mr Abdel-Aziz Suleiman, Mr Abdullah Abdel-Ghaffar Ali Reza and M. Rafiq Hariri. Pride of place should perhaps be given to Mr Suleiman Olayan, both by virtue of the duration of his involvement overseas and the size of his widespread holdings.

### Passive

In contrast to the discreet and passive investment portfolio recent moves by Mr Gaith Pharoan's Attock to take over Texaco's Eaglepoint refinery came as a reminder, if any were needed, of the more overt and aggressive investments of the Arab entrepreneurs of enormous wealth.

Another was the bid by First American Bankshares to buy out the small 7.3 per cent of its equity still held by the public. The Arab shareholders who took over the bank holding company in 1982 are Sheikh Kamal Adham of Saudi Arabia, Sheikh Mohammed bin Zayed al Nahayyan of Abu Dhabi and Mr Faisal Saud al Falaij and his Kuwait International Finance Company. That is just one alliance cutting across national boundaries. It is typical of the Arab financial world.

Sheikh Kamal, the former Saudi intelligence chief and brother-in-law of the late King Feisal, has collaborated closely with Dr Ashraf Marwan, the late President Nasser of Egypt's son-in-law and adviser. His realisation of £9m through the sale of his stake in Fleet Holdings, one of several hefty investments in Europe and the U.S., highlighted how oil wealth has provided opportunities for enrichment beyond the confines of Arabia and the Gulf.

## London's attitude remains cautious

"THERE has been much debate about Islamic banking in the past year or two, but the practical implementation is as yet far from complete."

"Even in those countries where Islamic banking is most developed, many details still do not seem to have been settled, nor have they been subjected to the test of large scale use in a variety of circumstances. A central feature of the UK banking system, and one which is now enshrined in our legal framework, is that of capital certainty for depositors."

"One of the crucial principles underlying Islamic banking, as I understand it, is that depositors should share fully in the fortunes of the institution receiving their funds. Although detailed interpretations of the requirements may vary, there usually appears to be no capital certainty for the depositor as to his original deposit, nor certainty as to the rate of return on it."

"This is of course a perfectly acceptable mode of investment, but it does not fall within the long established and well understood definition of what constitutes banking in this country."

"The Bank of England is not legally able to authorise under the Banking Act an institution which carries on business in this way because it does not take deposits as defined under the Act; moreover, there would be numerous supervisory problems, including those involved in assessing the capital adequacy of an institution engaging in essentially capital-uncertain transactions."

"*It is also important not* to risk misleading and confusing the general public by allowing two essentially different banking systems to operate in parallel. This is not to say, however, that such types of facility cannot be provided in this country; and it may well be possible for them to be accommodated within other areas of our financial system."

"But the institutions covered cannot hold themselves out to be a bank, or use a banking name."

Mr Robin Leigh-Pemberton,
Governor of the Bank of England,
October 2, 1984.

# Shaken confidence as period of uncertainty sets in

### Islamic Banking
DAVID RUDNICK

ISLAMIC banking has expanded greatly in recent years to satisfy the demand of devout Muslims for institutions where they can deposit and borrow money without transgressing fundamental Islamic tenets. But a period of uncertainty has set in, and the losses in trading operations of some of the big banks have shaken confidence.

Modern conventional banking is a Western development. The first Europen banks were established in the Islamic world in the late 19th century, often as a result of political pressures imposed on effête autocratic rulers, and against the wishes of the Muslim population.

The growth of Islamic banking may be seen as a reaction to these events. Muslim canon law, the Sharia, bans riba—the earning or payment of interest.

However, about 85 per cent of the Muslim world follows schools of jurisprudence which allow the ban in effect to be bypassed as commission or service charge. It is perfectly halal—permissible—for an Islamic bank to charge for services rendered.

There are many ways in which Islamic banks circumvent riba. The mudaraba, for instance, is a contract whereby the bank finances an investment project but agrees on a division of the profits with the entrepreneur.

The similarly named murabaha is a cost-plus transaction in which the bank buys raw materials or equipment on behalf of its client, and then sells them to him—with an agreed surcharge added. Murabaha is widely used for import finance.

Then there is musharaka, in which the bank and its client go into partnership under an agreement which entitles the client to buy back the bank's share. Profits and losses are shared by the bank and the customer.

The purpose of these and other ingenious contractual arrangements is to ensure that an element of risk attaches to a project, since Islam abominates a guaranteed, pre-determined rate of return.

Conventional banks do not seem to have effectively mobilised the funds of the faithful in the past, because of their involvement in riba. In 1982 the Jeddah-based Islamic Banking Association estimated that as much as $40bn was being hoarded outside the banking system.

### Geographical spread

The geographical spread of Islamic banking has been particularly in evidence this year. Iran has embarked on an Islamicisation programme, Sudan is committed to its expansion, and Pakistan has announced its intention to do away with riba next year. But scepticism remains, among bankers themselves, about the long-term significance of these developments.

While the rich, conservative Muslim states in principle favour the spread of Islamic banking, they are meanwhile investing their billions of petrodollars very profitably in Western government paper; recycling these funds into Islamically - approved instruments could cost them dear.

Dr Ibrahim Kamel, until last year chief executive of the huge Dar al-Maal al-Islami group (he remains on its supervisory board), recently told a conference on Islamic banking in London that Islamic banking was "going to happen, however reluctant some of our Harvard-educated Ministers of Finance feel about it."

But the grave problems being encountered by DMI have done much to dampen optimism. In the year ending June 1983 it registered a loss of $27.9m (after profits of $8m in 1982), mainly due to unsuccessful trading on the bullion markets, an activity which many religious advisers in any case regard as haram (forbidden).

The losses are believed to have continued into this year. But ever optimistic, DMI is raising its capital from $310m to $478m through the issue of over 1m new shares.

DMI's big rival is the Al-Baraka group. Al Baraka cuts a lower profile than DMI, but in its two-year life it has expanded far beyond its base in Saudi Arabia. Al Baraka has a share in Islamic Banking System International (IBSI), a Luxembourg-based holding company (authorised capital $100m) which acts as a base for European operations for a number of Islamic banks.

**LEADING ISLAMIC BANKING GROUPS**

| DAR AL-MAAL AL-ISLAMI | AL BARAKA |
|---|---|
| Established 1981 in Bahamas<br>Authorised capital $1bn | Established 1982 in Jeddah<br>Available funds exceed $500m |
| Paid-up capital $310m (being raised to $478m) | Paid-up capital $240m |
| Incorporated as a trust in the Bahamas, with over 20 subsidiaries in 13 countries, including: Bahamas, Bahrain Guinea, Niger, Senegal, Sudan, Switzerland, UAE. | Operates in Bahrain, Saudi Arabia, Sudan, Tunisia, Turkey, UK. Associated companies include Jordan Islamic Bank for Finance and Investment, and Arabian-Thai Investment Co. |

Dr Gamal Attia, Director of IBSI, believes that Western banking regulations might find it easier to accommodate Islamic banks if the latter's capital to deposits ratio were set higher than for conventional banks, and if the ratio of their legal reserves to their profits were also set higher—reflecting the greater risks faced by Islamic banks.

### Two sets of rules

The problem of applying these conditions in practice as summarised by the Governor of the Bank of England (see inset), is that it would involve two sets of rules, one for conventional banks and a more rigorous regime for Islamic banks. But European central banking authorities find it hard to envisage a legal framework that could differentiate in this way, since banking acts stipulate that all banks must be treated equally.

The difficulty of adapting to western conditions perhaps arises basically from the fact that deposits are not seen as a liability in the balance sheet of an Islamic bank.

But though the authorities are chary of admitting Islamic institutions — DMI has so far failed to acquire a deposit-taking license (LDT) in London —Al Baraka bucked the trend last year when it obtained an LDT through its acquisition of Hargrave Securities, which it re-named Al-Baraka International (authorised capital £100m).

There are however clear advantages for Western banks in co-operating with Islamic banks. Chase Manhattan and Citicorp have been involved in transactions with Islamic institutions, and the London merchant banker Kleinwort Benson is well versed in Islamic trade finance through its trading company, Fendrake.

In Kleinwort Benson's experience, it can still be a problem finding uses for Islamic money, especially short-term funds. According to reports, IBSI is developing a fund with short-term investments constantly coming to maturity which can be used for overnight money.

Islamic institutions are especially vulnerable in recession-hit times, since the ban on interest leaves them with much less choice than conventional banks in finding alternative investment outlets.

The problems currently faced by the Kuwait Finance House (KFH) offer a case in point. Set up in 1977, KFH is generally considered one of Islamic banking's success stories. But last year it sustained a 19 per cent loss in profits and earnings, and depleted its reserves to pay a 20 per cent dividend to shareholders. But the return to depositors fell, and KFH stopped taking new deposits—possibly at the behest of the Central Bank.

Elsewhere in the Gulf Islamic banking is advancing. In the United Arab Emirates the Dubai Islamic Bank recently received permission to open its third branch, even while foreign banks are being reduced in number and local conventional banks are under pressure to merge. The UAE central bank has agreed to the establishment of a new federal Islamic bank, and new Islamic banking legislation is under study.

In Saudi Arabia, the well-known money-changer, the Al-Rajhi Company for Currency Exchange and Commerce, is being re-formed as the Al-Rajhi Islamic Bank—the Kingdom's first Islamic bank. With its capital of $213m it will be one of the country's biggest banks; over 40 per cent of its shares will be sold to the public.

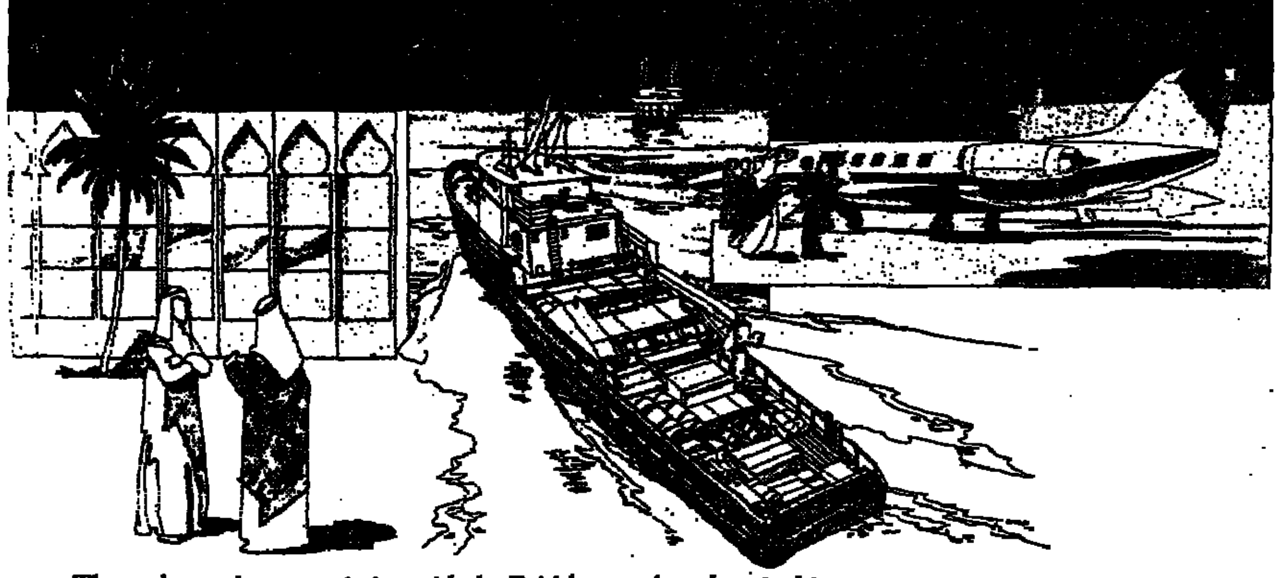
### Sensitivities

Islamic banking raises political sensitivities in Turkey. While the Turks have passed laws to allow non-riba banking, domestic political considerations prevent them from recognising the word "Islamic." Nevertheless they recently allowed two Arab-financed Islamic banks (the Faisal Finance Institution and the Al-Baraka Turkish Finance Institution) to start up business in Turkey as "finance houses" rather than explicitly Islamic banks.

It is probably too early to forecast what share of the market Islamic banking is likely to capture. Its future expansion will depend partly on the integrity and management skills of its practitioners, and partly on the fortunes of the Islamic oil-producing states.

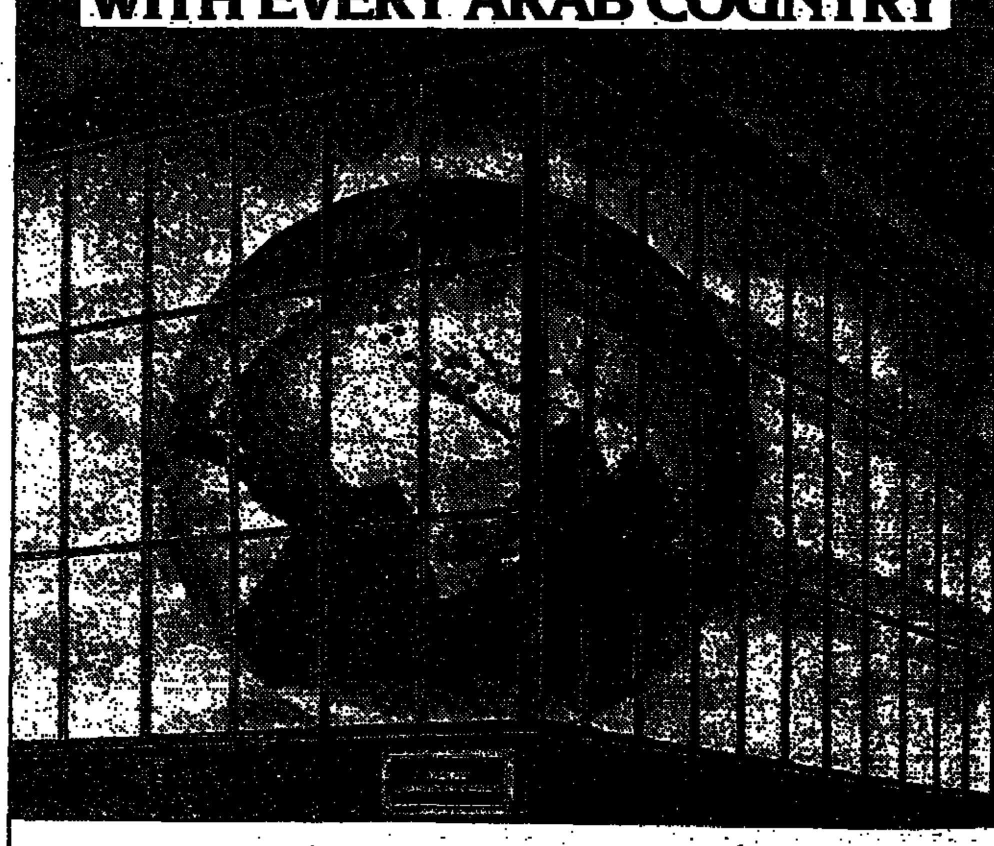












# Banks seek new clients as business shrinks

## Paris Presence

MICHAEL FIELD

"ARAB banking in this city is in a state of decline," remarked René Zeenny of the Banque Libano-Française in Paris at the end of last month. "We used to be aggressive and expanding—as everyone else was—but our operations have shrunk by about a quarter in the last two years."

Zeenny's words are given weight by the fact that Banque Libano-Française is one of the two biggest Lebanese banks, both in Beirut and Paris, and has traditionally been regarded as active and successful.

The most obvious reasons for the decline, which is remarked on by all the Arab bankers in Paris, are the contraction of business in the Middle East brought about by the fall in oil revenues and the shrinkage of the syndicated lending market. In the past 10 years trade finance and syndicated lending have been by far the most important international operations of Arab banks.

At the same time Paris itself has lost some of its allure for Arab bankers since M Mitterrand became President in 1981.

### Cautious expansion

When Arab banks started their international expansion, very cautiously, in the late 1960s the French Government was making a point of developing links with the Arab world. From two banks in 1968, the Arab presence grew steadily, first with the foundation of a number of Arab-French consortia and then, after the beginning of the Lebanese civil war in 1975, with a big influx of Lebanese banks. By the beginning of the 1980s there were some 35 Arab banks in Paris, whereas in London in 1978 there were only eight. (London's expansion as an Arab banking centre has come in the last five years; there are now over 50 Arab institutions in the city.)

What Paris has lacked in the past three or four years has been partly the former emphasis on courting Arab banks, which by its very nature was bound to be an initiative of limited duration, and partly a dynamic, capitalist business climate.

The Arab bankers have been unimpressed by the imposition of tighter exchange controls and the nationalisation of a large part of the French banking system. It has been remarked by members of the Arab Bankers Association, an international body based in London, that some of their colleagues have a vague fear that the French authorities might one day want to look into the books of institutions under their jurisdiction.

A final factor working against Paris has been difficulties in the relationships between the French and Arab partners in some of the longer established consortia.

When Banque Franco-Arabe d'Investissements Internationaux (FRAB), Union des Banques Arabes et Françaises (UBAF) and Banque Arabe et Internationale d'Investissement (BAII) were established in the late 1960s and early 1970s it was reasoned that they would give their French shareholders an entré to the Arab markets and their Arab shareholders experince of international banking—as well as training for some of their employees.

Now it is felt that the consortia have outlived these rôles. All of the big international banks have built their own links with the Arab world and the Arab banks have gained some experience in international banking. (As trainers of Arab personnel the consortia banks were never very effective; today most of the Arab banks in London and Paris have Lebanese or Egyptians on their payrolls, but very few have nationals from the Arabian peninsula oil states which own most of the capital of Arab banks abroad.)

The result of this evolution has been reorganisations at FRAB (now known formally as FRAB Bank International) and UBAF. In FRAB the French shares, formerly held by Société Générale, have been sold entirely to Arab interests; in effect the bank has become a subsidiary of the National Bank of Kuwait. In its new form it is thought that the bank ought to be more successful than it was before, but it has not yet had time to find a niche in the market.

In the large UBAF group, which is spread through most of the major industrial countries, the reorganisation has taken the form of a reduction of French participation and a change in the structure of shareholdings. UBAF has a slightly abrasive relationship with Credit Lyonnais, but it has played a useful role in educating its Arab shareholders and has built up a strong position in Franco-Arab trade finance. The group is still dominated by the personality of Mohammad Abushadi, who has been its chairman from the beginning. There is now the unresolved question of succession, which had led to M. Abushadi postponing his retirement more than once.

The bank that has not changed its structure or its role since it began is BAII. The bank feels that it has avoided competing with and antagonising its owners because its shares are held in a large number of small parcels; there is no single large shareholder which might feel jealous of it.

BAII has maintained a partly investment banking orientation since its inception in 1973. It has now gained a fair amount of experience in this field and is certainly more sophisticated as an investment banker than any of the other Arab institutions in London or Paris.

BAII and UBAF are two of only a handful of Arab banks in Paris which are considered to have been genuinely successful. Others are the Al Saudi Banque, which is small but active, and the Banque Libano-Française.

In the past 12 months most of the Arab banks in Paris have been reassessing their roles, though, as yet, none seems to have concluded that the raison d'etre for its being in the city has gone and that it should leave.

Least affected by this reappraisal are the 15 Lebanese banks, which came to Paris in the wake of their merchant clients when the Lebanese started to move their businesses from Beirut after 1975. By far the greatest part of these banks' work is in trade finance, not so much involving French exports to the Middle East as triangular trade.

A recent deal financed by the Banque Libano-Française involved a Lebanese businessman selling champagne to Russia, receiving in return skins which had come from Ethiopia, and finally disposing of the skins in West Germany.

The Lebanese bankers say that in the summer there were signs that some of their clients were returning to Lebanon. If this continues, which is not at all certain, there will be a reduction in the scale of Lebanese banks' operations in Paris, but so far there seems to be little talk of diversification.

Among the other Arab banks, 12 months ago the fashionable talk was of going into investment banking, on the reasoning that the syndicated loan business was shrinking, bond issues were increasing and there was a growing demand by rich Arabs for investment services. FRAB in particular was intending to develop in this direction.

### Less in vogue

Now this idea is less in vogue because banks have assessed the amount of specialist expertise they would need and concluded that it would take too long to develop it.

Instead some Arab banks are turning to the French commercial market. Al Saudi Banque is developing business with fairly large French companies having export interests; the Saudi European Bank has lent to French companies in the distribution business, such as oil service chains.

One of the Lebanese banks, Banque Wedge, has built up a clientele of small French companies with growth possibilities. FRAB is looking for slightly bigger companies with export operations, not only to Arab countries but worldwide.

Finding business among bigger, well established companies is much more difficult. According to Ralph Jazzar at BAII, "if you want a marginal slice of good business you have to help a good man on a difficult file."

More brutally a senior manager of the old established and conservative Banque Libanaise pour le Commerce remarked that there were only three reasons why French companies approached Middle Eastern banks — "either they are a friend of somebody in the bank, or they have Middle Eastern connections or they are a bad risk — and most of them are in the third category."

He added that his own bank declined most of the companies that came to it to open accounts. "They don't work with the Middle East and we don't know them, so obviously there is another reason why they come to us," he said. "Their classic excuse is to say that they don't want to work with nationalised banks, but we notice that they are not large companies where political considerations should play a role."

# Marriages made in chilly corporate climate

## Accounting Firms

BARRY RILEY

ACCOUNTING firms are feeling the pinch in the Arab world, along with most sectors of the business community. The era of rapid growth seems to be over. Accountants report a fair amount of fee-cutting in some areas.

Nevertheless important professional developments are taking place within Arab accountancy, and there is a continuous if erratic, process of building links with the major international firms. The realignments taking place among the international majors are bound to have repercussions in the Middle East.

For the moment, the business recession is the dominant factor in the Arab profession's fortunes. The oil glut is the primary cause, and the Iran/Iraq War has also, of course, had a considerable economic impact around the Gulf.

From the accountant's point of view, one serious effect of the war has come from its repercussions on sentiment, causing a great deal of money to leave the Middle East completely. This capital is thus not available locally to fund new investment projects and to support the growth of financial businesses of the kind that can in turn generate a substantial demand for accountancy services.

Banking and insurance are important sectors for the Arab accounting firms but probably construction has been an even more lucrative industry in recent years and here the recession is biting hard.

In Saudi Arabia, for instance, the development of the infrastructure is largely complete and in unfamiliar conditions of recession the volume of fees available to accountants is dwindling.

In fact, there is even some difficulty in collecting fees in a few cases. Arab accountants see management consultancy as the only side of their business offering much growth potential in present conditions —the reason being that management efficiency is suddenly becoming important in parts of the Arab world where, until recently, there was always more than enough income to cover costs, almost regardless of the way businesses were run.

The continuing trouble in Lebanon has also been unsettling. As a traditional business centre of the Arab world, several important firms have been based there—but Saba, for instance, has been forced to move its headquarters temporarily offshore to Cyprus. With the reopening of Beirut airport, however, international travel has become easier again, and accountants are watching for conditions in which it would be safe to bring their Beirut offices back into full-scale operation.

Saba is the oldest of the independent Arab firms. Its founder, Mr Fuad Saba, died only last August in Beirut, the city where he set up in 1941 an office which subsequently became the headquarters of a network spreading throughout the Arab world. He was succeeded in the early 1970s by his son Suhail, the present managing partner.

### A breakaway

Saba's biggest Arab rival, the firm of Talal Abu-Ghazaleh, was itself the result of a breakaway from Saba in 1972. Mr Talal Abu-Ghazaleh, based in Kuwait, split away a large number of staff and clients, creating wounds which have still not healed. His firm is now probably comparable in size with Saba.

The third big firm in the Middle East is Ernst and Whinney, the only one of the international majors to have a significant history in the region. Whinney Murray, as it is still better known around the Gulf, originally followed its big client BP, and has subsequently built an important presence.

The other big international firms have found it hard to break into the region. For some years Arthur Anderson linked up with Saba, but the relationship ended in 1978, leaving Saba to forge an apparently more harmonious link with Touche Ross. Price Waterhouse attempted to form a partnership with Talal Abu-Ghazaleh, but this arrangement also failed, since when both parties have gone their own ways.

Several of the international Big Nine, including Price Waterhouse, have attempted to build their own networks in the Arab world. But this is a difficult strategy if they have any greater ambition than to service their multinational clients locally.

In a number of important Arab countries, including Saudi Arabia and Kuwait, only nationals are normally permitted to sign audit reports. So others of the big international majors have formed links with local firms.

Meanwhile, relations between the Big Three in the Middle East appear to be somewhat less than cordial. Quite apart from the long-running dispute between Saba and Talal Abu-Ghazaleh, there appears to be some friction between the latter and Ernst and Whinney.

A scandal at the Arab Monetary Funds has not helped. Last year Ernst and Whinney delivered a confidential report on alleged irregularities at the fund, uncovering losses on foreign exchange and precious metals of some \$40m. In April this year Ernst and Whinney was brought in by the Fund's board as auditors to replace Talal Abu-Ghazaleh.

### Initiative

Further tensions have been highlighted by Mr Talal Abu-Ghazaleh's initiative in starting up a new professional body, the Arab Society of Certified Accountants. The ASCA was set up last January, and invited applications for membership during the early summer. When the admission committee meets later this month it is likely to approve roughly 250 applications for full membership and perhaps 600 student applications. The ASCA has already set up a London office, and will be holding its fifth council meeting in Tunis on October 26.

The ASCA has been set up in co-operation with the UK's Association of Certified Accountants, whose examination courses will be used as the basis of its initial training, with the addition in due course of papers on Arab commercial law and taxation.

However, the founding of the ASCA has not been well-received by important factions within the Arab accounting profession. There is opposition, for instance, from Saba, a firm which was closely associated with the founding in 1964 of the Middle East Society of Accountants. This organisation, however, appears to have become largely inactive.

Further criticism has come from the Federation of Arab Accountants and Auditors, a representative body based in Baghdad of which Talal Abu-Ghazaleh himself was a member until he resigned in June this year.

The ASCA's activities do not directly conflict with those of the Federation at present, but the Federation has a plan to set up an Arab Institute which would have a similar emphasis on training and professional standards.

Mr Abu-Ghazaleh is not apologetic for taking the short cut of a link with an existing non-Arab body. He argues that there is an urgent need for an Arab professional body, and the ASCA will have the advantage that its qualifications will be internationally recognised from the start.

In spite of the refusal of Saba and Ernst and Whinney to back the new Society it has gained widespread support from other firms, and its council includes Arab partners of Arthur Andersen, Deloittes, Klynfeld Main Goerdeler and Grant Thornton International.

# Monolithic setting for virtually dead market

**New Kuwait Stock Exchange**

KATHY EVANS

LIKE almost everyone else in Kuwait, the director of the country's new stock exchange, Mr Khaled Khorafi, admits to having dabbled "a little bit" on the old Souk al Manakh shares market.

But late last month just days before the new official market was opened, Mr Khorafi walked across the floor of the Manakh exchange and pronounced it closed. Then on September 29, with little or no fanfare, Kuwait's official stock exchange was moved from its former home in a scruffy basement under a souk to its new $62m tower block.

The new stock exchange is physically impressive. The floor is larger than that of the London stock market, and its computer equipment alone is worth more than $10m. Yet at the moment this pink marble monolith is more a source of embarrassment than pride to the Government.

The major problem the new exchange faces is that the market is virtually dead. The Gulf war, the budget cutbacks and the oil glut have all left their depressing effect on stock market activity. On top of that, the country is still grappling with the Souk al Manakh hangover. Until the situation of the larger Manakh dealers is resolved, and final settlements are known, share prices are likely to continue their downward trend.

### Significant effect

The most significant effect of the Manakh crisis is that it has left the stock market bereft of its major players. The Kuwaiti market has always been dominated by a group of dealers trading among themselves. A common joke on the old market was that prices always picked up after the summer holidays when one of the big dealers would merely enter the exchange and walk across the floor. Activity would jump sharply among the small investors in anticipation of selling to the larger dealers — or "hamour" as they are known in Kuwait. (The hamour is a big Gulf fish, famous for its voracious appetite).

Mr Khorafi says he wants the "hamour" to come into his market, as long as they agree to the rules. "Even a casino has rules," he points out. The director believes there is still a lot of money around in Kuwait despite the massive debts incurred by the Manakh folly. "The money has merely gone from one pocket to another—after all, the crisis only touched 7,000 people."

But the remaining "hamour" are unenthusiastic about the new market's regulations. Their major criticism is the rule restricting the fluctuations in price on individual share deals to a few fils a time. The law has been designed to prevent a recurrence of the wild sprees which characterised Kuwaiti stock markets in the past. Mr Khorafi says he is looking for investors, not speculators. But as long as the big dealers see no quick profits to be made they may stay away from the market.

The system of share trading on the new market will be on the written auction method, similar to the Hong Kong and Singapore exchanges. Bids and offers will have to be written up on boards and matched, with sales recorded by brokers. Dealers will not be allowed on the floor.

### Sipping tea

Such a system cuts right across the Kuwaiti tradition, for on the old exchange the big traders would sit for hours on the market floor, sipping tea and trading among their friends. Dealing would often continue in the "diwaniyas" (private reception rooms) late at night, with sales recorded the following day. Such practices will be strictly forbidden now.

The new system will force the big dealers to trade with the smaller investors. Most of the "hamour" prefer to deal with each other, rather than with people they do not know.

The size of deals also is to be regulated. On the new market trading will be done in "lots," varying from 500 shares at a time for shares worth over KD 10 ($33.4) to 10,000 shares for shares priced less than KD 0.250.

Brokers' commissions are a further contentious issue among the big dealers. Henceforth brokers will be required to guarantee payment by their clients, and so commissions charged on each trade have been increased from the old level of 2 fils a share to a percentage value of the deal, varying on the size of the bargain struck. The increase in commission has angered many dealers, and even some of the brokers believe that special arrangements will have to be worked out to encourage the major dealers to return to the market.

The new building of the Kuwait stock exchange has catered for 68 brokers' offices. In practice only four have been licensed so far. Many brokers wonder about the profitability of being licensed in a market which is virtually dead, especially given the high cost of registration. The bank guarantees which have to be put up by individual brokerage firms have yet to be decided, but Mr Khorafi says that they will not be less than KD 250,000 or KD 500,000 and may go up to KD 2m.

Companies which are listed on the exchange will have to pay a listing fee. This will include a one-off payment of KD 10,000, plus 0.01 per cent annually of their capital. Mr Khorafi points out that the stock exchange has been given no independent budget from the Government, and therefore has to be self-financing. The exchange will be taking 20 per cent of the brokers' commission on every deal. The director is hoping for an annual revenue of at least KD 2m.

A final common criticism of the new stock exchange concerns the companies which have been granted official listing. The old official market consisted of 40 Kuwaiti registered companies, as well as seven closed shareholding companies. In addition, the new exchange has agreed to admit eight Gulf companies for official listing. The remaining 40 Gulf companies formerly quoted on the Manakh exchange will be quoted as "unlisted securities."

In many ways it was inevitable that the Gulf companies would be accorded some official recognition, given that a large part of the assets of the dealers on the Manakh are held in Gulf shares. Those assets had to be protected, both in terms of their value in individual Manakh settlements and in terms of bank collateral. If it were not for such considerations, Mr Khorafi cheerfully admits that he would have told most of the Gulf companies "Bye, bye."

The eight companies which have been accorded official listing are "not clean, but better than most" says Mr Khorafi. "The profits and management of the companies are to some extent better than the others," he explains. Nevertheless, he hopes for further improvements in the management of the eight companies. In determining the assets of the companies, post-dated cheques acquired in Souk al Manakh dealings have not been included.

### Loss incurred

The companies accepted for listing are Bahrain Middle East Bank, United Gulf Bank, Bahrain International Bank, Arab General Investment Corporation, Coast Investment, Arab Iron and Steel Company, Gulf Petroleum Products and the First Gulf Bank of Ajman.

One of the banks, Bahrain International, recorded a loss of $9m in 1983, and many more are saddled with post dated cheques with a value still to be determined.

A few have boards of directors which contain personalities who are likely to face referral to the official receiver when the situation of the larger Manakh dealers is resolved.

As for the remaining 40 companies, it is still not sure just how many will survive, or whether some of them may face charges of fraudulent management. Many were conceived merely as vehicles for trading shares of other companies on the Souk al Manakh, not for the purpose stated in the companies' articles of association.

Mr Khorafi rebuffs charges that by admitting the Gulf companies even for side trading he is in a way granting them official recognition and blessing. The investors will be given full access to information on each company and will have to make up their own minds on whether to trade in Gulf shares, he says. Trading in Gulf shares is to be restricted to half an hour before and after normal trading hours.

The Gulf companies are not the only concerns which still have post-dated cheques and Manakh shares on the asset sides of their balance sheets. Many of the Kuwaiti official market companies are similarly burdened, and Mr Khorafi believes it may take a long time for investors' confidence to return.

In the meantime, the share index of the official company shares has slipped from its former government support level of [illegible] to around 68 points. And ea[illegible]ime there is a trade, prices go down. Official shares are now becoming a dubious asset to hold. There appears little hope of further intervention by the Government to prop up prices, given that the state owns more than 50 per cent of the market already.

### Market confidence

More stringent auditing requirements which could instil greater market confidence do not appear to be on the cards, at least not immediately. Many of the local brokers are urging that listed companies be obliged to produce quarterly reports, as well as providing more information. Mr Khorafi says that this will be considered in the future, though there are no immediate plans to this effect. "Next year we may ask for half-yearly reports, though," he adds.

The issue of how to regenerate the stock market is being looked at by the highest levels in Kuwait. One suggestion currently under study is that the market be opened to other Gulf and Arab nationals. The move is clearly supported by the Kuwait merchant class as one of the obvious ways to activate the market. Mr Khorafi says that most of the Gulf companies have been approached on the question and have agreed, but the Governments of the countries where the companies are registered have not.

Kuwaiti press reports suggest that the Kuwaitis overplayed their hand with these governments, announcing that the question was under study before notifying them officially. Both the Bahrain and United Arab Emirates governments are likely to be very wary about the prospect of their citizens showing renewed interest in the Kuwait stock market. The Kuwaitis meantime are anxious that their own resident foreign Arab community be given access to the market.

Until such decisions are taken—and more importantly until the Manakh situation is fully resolved—the Kuwait stock exchange is likely to remain in the doldrums.

The only psychological boost that the market might accept would be the end of the Gulf War. In the meantime the market will continue its efforts to become respected and orderly, but prices will remain where they are at the moment—in the dumps.



# Souk al Manakh problem edges towards banking doorstep

**Kuwait Banks**

KATHY EVANS

FOR MORE than two years, the Kuwaiti banks have been saying they hold no direct exposure to dealers caught up in the Souk al Manakh stock exchange disaster.

That line is wearing uncomfortably thin, for although banks were forbidden by order of the Central Bank of Kuwait to lend directly for speculation on the stock market, considerable funds were extended in the form of personal loans, a large part of which ended up in the Souk al Manakh.

Their indirect exposure can still only be guessed. The knock-on effects of the catastrophe are felt by every business in Kuwait, and the main bankruptcies are still to come.

Never the less, inner reserves of the Kuwaiti banks are substantial—four to five times the international average—and the cushion will be comfortable, particularly in the case of institutions such as the National Bank of Kuwait. The banks' reserves were built up over the years when Kuwait was booming, and result largely from the high development expenditure of the state. Ultimately the banks have the support of the Government, and there is no doubt that if any ran into difficulties the state would help them.

Even so, relations between the two parties are not free from tensions. Given the gloom which has followed the Souk al Manakh collapses, the Government is pushing the banks to be more forthcoming in helping to resolve the crisis.

The fact that the banks have remained solid and highly liquid, while every other financial institution and private sector company has been mauled by the Manakh disaster, has bred some antagonism between banks and Government. In the words of a senior bank executive, "You can't walk through Harlem with gold falling out of your pockets. The central bank wants the banks to show the scars of Manakh just like everyone else."

The banking system has therefore been facing various accusations from the central monetary authority and the Government in recent months. In particular it has been said that the banks speculated too much against the Kuwaiti dinar, and that they have not used their liquidity to help clients recover from the stock market problem.

The scars are going to be seen though. With Sheikh Khalifa al Abdullah al Sabah, one of the biggest dealers, only paying 70 per cent on the spot value of his share deals, the domino effect on his creditors and the chain of indebtedness could push the number of bankrupts above the present 250.

### On doorstep

The names which will emerge in the next few weeks could bring the Manakh problem to the doorstep of the banks, for some of the expected new bankrupts are represented on various bank boards. Other major dealers who can expect to face the receiver shortly have been big borrowers from the banks and pillars in the business community.

Big new bankruptcies will aggravate the problem of bank collateral, for share prices and land values will go down even further. Shares and property are the principal items used as security for bank loans.

Senior bank executives say that loans backed by the shares of Kuwaiti companies traded on the official exchange are usually covered 200per cent. However, the valuations may have been made during 1982, and prices are different today. During the peak of trading that year the official index rose to 136: today it stands at about 68.

Bankers say the cover is still about 120 per cent, though others believe that it is much less and that banks have already been calling for additional cover for loans. If prices go down further, a substantial portion of bank collateral in Kuwait will look rather naked.

The picture is reflected in loans backed by land. Because of the Manakh problem there are still disputes going on as to who owns particular plots and buildings. Beside the $94bn in post-dated cheques on share deals, there were also large amounts of post-dated cheques for property deals.

The downturn in trading has depressed values — some say by as much as 40 per cent — and all over Kuwait landlords are complaining about falling rents.

The Government is aware of the problem of bank collateral, but officials point out that to solve it would cost billions of dinars of public money. The state already owns more than half of the shares on the official stock market as a result of its attempt to prop up prices. To buy large amounts of land would cost too much. However, if the situation gets worse land purchases may be unavoidable.

All of the problems are complicated by the merchant community's resentment of the formula which is being used to settle Sheikh Khalifa's debts. Many involved are refusing to service their bank loans as a way of protest.

However annoyed the banks may be by this, liquidation of collateral given by clients would be difficult. Dumping large amounts of shares on the market would depress values even further. The land market is virtually dead, which makes figures on property values almost meaningless.

The banks will be forced to rollover the credit. "There is no way that these assets can be realised," said one credit manager. "We will have to take a long term judgment on the future of Kuwait, its land and its stock market."

Given that there is a war front less than 100 miles away, this may not be the most attractive prospect, but there is no choice.

The other area of confrontation between the Government and the banks concerns the level of interest. The Central Bank has put a 10 per cent ceiling on the rate that can be charged for unsecured borrowing over one year, and, given market conditions, the banks say that their cost of funds virtually matches and occasionally exceeds that level. "I'm currently in the business of losing money," said one general manager of a bank.

So far the banks have sought to overcome the limitation by imposing front-end fees on clients, usually about 2 per cent. The fee is payable immediately the loan document is signed. Bankers say this is the only way that they can get round the interest problem, though in theory such fees are forbidden by the central bank. Officials say that additional fees should

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# Crisis hits at the heart of social structure

## Souk al Manakh

KATHY EVANS

ACCORDING to the Finance Minister of Kuwait, Sheik Ali Khalifa al Sabah, the Souk al Manakh crisis was solved—in all but a few minor details — several months ago.

But bankers and businessmen in the State believe otherwise. Some suggest that the worst is still to come, they say that the number of bankruptcies is not only going to exceed 250, but that among the names which will emerge in the next few weeks will be major trading houses. That will have a multiplier effect in pushing up the number of bankruptcies once again and depress confidence even further.

More alarmingly for those who have been watching from outside, the Manakh crisis is now taking on international dimensions. A number of the larger dealers are known to have international bank loans running into hundreds of millions of dollars. Most of those borrowings face at best a rescheduling, or in the worst cases, a default.

### Reshuffled

For the last two years, the Government of Kuwait has been trying to limit the damage, first to itself and its uninvolved citizens, and secondly to its international reputation as a centre of financial muscle and skills. So far, only one minister has resigned over the crisis — former Finance Minister, Abdul Latif al Hamad — but others are expected to be reshuffled in the spring of next year. Senior financial officials say that there is not one member of the Cabinet, or Parliament, who was not involved in the Manakh stock exchange.

But perhaps the greatest damage which has resulted from Manakh is to the social structure of Kuwait. At the top, the scandal has sullied even the ruling family, through the involvement of one of the junior sheikhs. The settlement of his debts is causing much bitterness in the country, leaving it with a feeling that there is "One law for them, and another for us." An indication of how sensitive the issue is came with the banning in the summer of a local Islamic fundamentalist magazine which suggested that "Laws are being tailored for the sons."

*Sadly, the crisis has also* reinforced the social prejudices in Kuwait, for most of those involved in the Manakh exchange were "new money," not "old money" families whose names are prominent in the chamber of commerce and on certain bank boards. At a time when the country needs to pull together, it is being pulled apart and having its dirty laundry washed in public. The fundamentalists have gloried in this discrediting of the financial sector.

When the crisis broke in the autumn of 1982, the Government's priority was of course to protect *small investors, who in* Kuwait terms were dealers whose transactions amounted to less than $7m. Those people were taken care of through the issue of Government bonds payable over a period up to 1989. That facility cost about $2.5bn in public money.

Even more than that—$2.9bn has been spent on propping up prices at the Kuwait official stock exchange, so that everyone's assets and bank collateral *can be protected.* Nevertheless, the support action seems to have been to no avail, for since it was withdrawn earlier this year prices have slipped by 30 per cent.

Most of last year was spent in sorting out the tangle of debts for the medium sized Manakh investors. The creditors of these dealers have now been provided with books of coupons, which comprise a series of bonds payable at differing dates according *to the asset backing the bond.* The assets of those declared insolvent, around 250 people, have been pooled into the fund and are worth $2.6bn to $2.7bn. However, that figure appears to be dropping steadily, for included in the assets are items of declining or dubious value, to say the least.

The assets backing the bonds comprise cash, official shares, real estate, notes receivable and Gulf companies' shares.

The official shares bought from the receiver by the Government have subsequently dropped in value, and continue their decline each day. The real estate assets of the insolvents were acquired by the three semi-state investment *companies, together with the* local real estate concerns. But since the Manakh crisis began, prices of real estate have fallen dramatically, by as much as 50 per cent say some estimates.

The value of the notes receivable from solvents by the insolvents of course depends on the solvents remaining afloat. With the situation of the larger dealers still unresolved, the final picture is not yet clear.

### Virtually worthless

As for the Gulf shares, creditors have been offered share certificates in a giant *investment company which* has taken over the Gulf shares of the insolvents. The Government has not yet informed the public just how the prices of the shares, and hence the value of the share certificates, have been calculated. Most local financiers believe such paper to be virtually worthless.

The resolution of the larger dealers' affairs could be even more complex and damaging. There are 50 to 100 people who have not been referred to the official receiver because of their business and social standing in the country. Many of their transactions are interconnected and a substantial part of their deals were with the 27-year-old Sabah family member, Sheikh Khalifa al Abdullah al Sabah. The young sheikh was one of the largest dealers on the Souk al Manakh and his current debts have strained even the financial *prowess of his immediate* family.

Under a scheme organised through the semi-government company, Kuwait Foreign Trading Contracting and Investment Company (KFTCIC), the repayments of Sheikh Khalifa's debts have been financed through the provision of official shares and land as collateral. The first instalment was paid in February and amounted to $558m. The second was due in mid-July. *However,* by late August it became clear that the second and final instalment was not going to be completely paid.

Following *agreement with the* Arbitration Panel, Sheikh Khalifa was given the nod to offer his creditors 70 per cent of the spot value of each share on the day it was transacted. But the agreement called on his creditors to pay a premium of 25 per cent over the spot value. In other words, he was paying out 70 per cent and receiving in return 125 per cent.

The arrangement understandably caused much bitterness and resentment in the merchant community, and a number of Sheikh Khalifa's debtors refused to accept the arrangement. However, officials close to the young sheikh's advisors say that there were only sufficient assets to cover the 70 per cent payment. Sheikh Khalifa's second instalment amounted to $1.1bn to $1.24bn according to market estimates.

A number of Sheikh Khalifa's creditors say that they cannot accept the formula because it will naturally lessen what they are able to pay their own creditors. Once again, everyone's dinar valuation comes down, and more bankruptcies threaten.

### Much higher

But senior officials say that it is the international bank borrowings which are causing some of those who dealt with Sheikh Khalifa to refuse the formula, not any concern for their own creditors. There is a handful of Kuwaitis, prominent in business and financial circles, who have taken hundreds of millions of dollars in syndicated *bank loans. Banking circles in* Bahrain and Kuwait say they know of at least $350m of loans but point out that a lot of borrowings would not have been publicised, and the amount could be much higher.

One of the Kuwaitis in such a situation — with foreign borrowings totalling nearly $200m—said that he had no desire to take anyone to court. Nevertheless, if he found that his creditors were forcing his referral for bankruptcy, then he would naturally have no choice.

This prominent Kuwaiti, who agreed to be interviewed on condition his name would not be used, pointed out that he had incurred considerable losses in settlements because of the *constant changes in Government* policy on how to settle the Manakh problems. Some of his debts he had paid at face value, others at reduced levels, and in some cases, the formulae for settlement used had turned a surplus with a fellow dealer into a deficit.

Now he was being asked to accept 70 per cent from Sheikh Khalifa and pay out 125 per cent. "If I receive 70 per cent from him, then others must also *receive 70 per cent from me.* In turn I will only pay the same percentage to him," he explained. It is an understandable point of view, but one which could set off another string of referrals to the receiver.

The only way out of the dilemma is for the Government to step in, say various merchants. The bail-out should entail the takeover of the land and shares of those involved with Sheikh Khalifa. "The Government has a long breath—whereas the merchants do not, at least not in these times," *suggested one. "They did this in* 1977 in another stock market crisis, and they should do it now."

Some official sources tend to agree with this reasoning, but they point out that the sums involved in this bail-out are many times more than in the previous crisis, which cost the state a mere $517m. Government help appears highly likely in the case of Sheikh Khalifa, however, for calculations show that the young Sabah will be called on to pay at least $120m annually in interest payments alone on the loans taken from KFTCIC.

### Bail-out

Whether such a bail-out will be extended to other merchants is presently being discussed in the highest circles in Kuwait. Officials point out that already $2.5bn has been spent by the Government in propping up the stock market, and still prices are falling. "We can't keep buying up the entire country," commented one official. "We already own a large part of the stock market, and further purchases of property might entail spending billions more."

*Officials also add that they* are not interested in helping dealers who have taken international loans. "We are concerned only with the situation at home, and making sure everyone receives an equitable settlement. Those who have borrowed abroad will have to face the music," said one senior official. The same official estimated that the major dealers with international bank loans in the Sheikh Khalifa circle stood only a 30 per cent chance of surviving.

Hence the country faces *further large scale bankruptcies.* No one will be sent to jail unless fraud and wrongdoing are proved. Those declared insolvent will lose all their assets, but not their civil privileges or right to start business again. Despite this very Kuwaiti way of handling the insolvents, the *business community will still be* rocked to its foundations if the larger names are referred to the official receiver.

The Government, however, will have to bear in mind the obligations these large dealers have to the local banks. The involvement of international banks with Manakh dealers could also further damage Kuwait's reputation as a financial centre, but officials say it is already tarnished by the Manakh problem.

Sending even one of the big dealers to the receiver would be an extremely painful experience for Kuwait, both socially and *politically, and it is this consideration* which is likely to oblige the Government to come up with a formula to avoid it. Meantime, both local and international banks anxiously await the outcome of the Government's deliberations.

# Problem on doorstep

CONTINUED FROM PREVIOUS PAGE

be charged *only for additional* services, and that clients can sue the banks for charging front-end fees. The central bank says it does not believe banks are losing money for the average cost of funds is around 9.5 per cent.

"If the banks say they are losing, we will study this case by case. But we are not prepared to change the whole structure just because one bank has a higher cost of funds," explained a central bank official.

### Confusion

There is also confusion on the Government's intentions over the two-tier exchange rate system introduced on April 9. The two rates—one the free or financial rate the other the commercial rate—were designed to stem the outflow of dollars which the authorities believed was weakening the dinar.

Prior to the April move, the Government had published a single official rate and made dollars fairly freely available at this rate to the banks. After April 9 it only provided dollars at the official rate to meet payments on letters of credit—hence the term commercial rate.

All other transactions, particularly interbank ones, had to compete for funds, which therefore became available only at a margin above the commercial rate. The immediate result through April, May and June was to kill the interbank market. At one point the free rate was 300 points higher than the commercial rate.

### Alive again

By early October, the two rates had converged and the interbank market was alive again—but uncertain as to the future of the two-tier system.

While it is unclear just how religiously the authorities are sticking to the requirement for releasing funds at the preferred (and in a pinch, lower) rate, this new mechanism to manage foreign exchange flows remains in place. The rise in interest rates that has followed has led to some rethinking by the central bank and to the provision of swap arrangements to cover short positions of local banks, provided these have a commercial justification.

Another matter about which the banks grumble is the bonds issued by the Small Investors Fund, which helped smaller dealers involved on the Manakh. These bonds were due earlier this year, but the central bank asked the banks to roll them over. Central bank officials say this was not their fault, for they had received instructions from the Small Investors Fund to renew them. They also point out that the banks are making money with a margin differential of 0.25 per cent.

Nevertheless, the banks appear to have been taken by surprise by the move, and the amounts involved are large. Some 900m Kuwaiti dinars has been spent by the Government to finance these bonds.

The various disputes between the banks, the state and the central bank led one banker to say there was a virtual war going on.

This sentiment was enhanced by a strong speech in London by Sheikh Ali Khalifa al Sabah, the country's Oil and Finance Minister. Sheikh Ali Khalifa criticised the banks for not being sophisticated enough in their management and called for a "dramatic change" in attitudes and practices.

### Bruised

The speech came at a time when banks were feeling particularly bruised and sensitive at their treatment from the Government, and many senior managers resented its tone.

It is hardly surprising that most economists in Kuwait are expecting lacklustre balance sheets in 1984 from the banks. Much will depend on how the banks will want to present themselves to the public and investors, for bank shares have seen a steady decline on the official market.

The central bank says it would prefer to see a steady rate of growth—say about 7 per cent a year on the consolidated balance sheets of the banks, compared with the 20 per cent growth of previous years. It has also discouraged the practice of window-dressing annual accounts.

In practice, the consolidated balance sheets of the banks is already showing a steady decline from KD 9.9bn in December 1983 to KD 9bn in June this year. Bank credit has been sluggish, growing from KD 4.7bn in the last quarter of last year to KD 4.8bn in the second quarter of the current year. Of that, KD 983m went in personal loans, and a further KD 735m to the property market.

Most bankers believe that the Kuwait picture will not brighten until the cloud of the Gulf war is removed and the Kuwaitis can return to their traditional ways of making money—trading and re-exporting.

That is the brightest hope. But with the financial community discredited by Manakh, Kuwaiti banks are already wondering how the next generation of customers will view them, and how it will conduct its business.

"I look at the students at Kuwait University," remarked one bank official, "and see the chadors and the beards (signs of religious devotion) and I wonder how we are going to market our services to them."

# Worries about commitments as growth slows down

## Saudi domestic banks

DOUG GRAHAM

MOHAAMMED AR LIMHAISEN, assistant general manager of Saudi Arabia's newest commercial bank, United Saudi Commercial Bank, says his bank is fortunate in being just one year old in the Saudi Arabian banking environment. Others are gloomily contemplating a tough year and the prospect of much lower profit. Mr Limhaisen does not dissent from this scenario but points out that the bad times will leave bank relatively unscathed.

The longer established banks have made large loans to contractors who are being pushed to the edge of bankruptcy by slow government payments in an atmosphere of fratricidal competition. USCB opened its doors at the beginning of this fiscal year and is starting out without the worrisome burden of questionable loans. Formed out of the old branches of the Bank Melli Iran, Banque du Liban et D'Outre mer and the United Bank of Pakistan, must still attract sufficient numbers of depositors and business to keep going. As healthy companies tend to stay with their present bankers it is the more desperate ones which are looking around for alternatives. USCB plans to prosper by specialising and offering advanced financial services to customers. It also intends to move aggressively into lending for industrial projects to compensate for the lack of construction business.

USEB, like all the other banks, are facing not so much a recession as a sudden slowdown in rates of growth. Construction is one field where retraction is inevitable. The process is bound to have a serious effect because of the sector's disproportionate share of Saudi economic activity. Nearly all other business will suffer as result.

Confronted by this pessimistic prospect banks are now doing what would, two years ago, have been almost unthinkable by regularly turning away prospective borrowers. Saudi bankers once rushed to give as many loans as possible. Now they are getting more selective and worried about commitments which do not seem as prudent now as they did when they were made.

Three years ago when contractors received their advance payments of up to 20 per cent, bankers were fairly certain that all but the most incompetent would make money. At that time they could sometimes have built in profit margins of up to 40 per cent. Now, contracts are fewer and smaller. Megaprojects such as the $3.4bn King Saudi University and Riyadh's King Khalid International Airport have been completed or are nearing completion. The competition between foreign companies and the increasing number of Saudi concerns is fierce. Contractors scrape by on 5 or 10 per cent margins simply to stay in business and defray overheads. It only needs a couple of changes in specifications and several months of delay in payments from the Government and the less competent contractors are pushed to the brink of collapse.

The plight of the industry was highlighted this summer by the collapse of Carlson Al Saudia Limited. It stopped work earlier this year on several projects, the biggest of which was a housing compound at the King Saud University (KSU). Its contract was worth $136m. Carlson in vain fished for loans within the Kingdom before ceasing work when its upper level management left Saudi Arabia.

The result is a pile of debts and an unfinished project. Carlson is not the only large company that has run into problems. The much larger Ali and Fahad Shobokshi Group required its foreign lenders to reschedule $400m on several projects. Unanticipated problems sent Shobokshi costs soaring and made the refinancing necessary.

Delays in Government payments are chronic. For instance Bouygues-Blount is still owed $150m for its work on the King Saud University project. The somewhat liberal hand with which bankers formerly lent money has become more of a tight fist to high risk customers.

Bankers are waiting to see what the Government does when companies go bankrupt. They are also worried that if they try to secure collateral on a non-performing loan they will get no recompense. The legal action will take place in a Sharia court which may throw the bank's case out because it is deemed to be charging interest. Interest is outlawed in Saudi Arabia because it is forbidden under Islamic law. Consequently time deposits do not pay interest. They earn "commission" which in practice amounts to the same thing.

Bankers are increasingly apprehensive that the government may begin calling in the performance bonds if and when companies start collapsing. Up to now they have charged minimal interest on the bonds as a service to the contractor. If bonds are called rates will skyrocket and banks, no doubt, will pass these higher costs to their already burdened contracting customers.

### Difficult

The difficult business environment, though, is creating a more sophisticated financial services market. Cash management is one among several areas of growth. Saudi Investment Banking Corporation (SIBC) is moving aggressively into this area. Other banks such as the Saudi American Bank (SAMBA), a Citibank joint venture, are branching into it as well.

Industrial business presents bankers with new opportunities. Large companies financed originally by concessionary loans from the Saudi Industrial Development Fund will need a wide array of services and loans as they operate. The "offset investment programme" will generate more industrial development and banking business. The U.S. company successful in bidding on the "Peace Shield" project—the command, control communications and intelligence system (C3I) for the Airborne Warning and Control surveillance will be required to invest $500m in the country. The overall contract is worth nearly $4bn. Saudi partners will be required to invest at least another $500m in industrial projects. In addition, the long-awaited and oft-delayed National Industrialisation Company of Mr Mahsoun Jalal finally received royal approval to offer shares to the public. This company is expected to be a privately owned equivalent to Saudi Arabian Basic Industries Corporation.

Banks are pursuing different tacks. The Saudi American Bank (SAMBA), which is 40 per cent owned by Citicorp, is trying to establish itself as the high-tech bank. It offers SAMBA-link computer terminals to big customers. It is also installing automated cash dispensing machines and is awaiting official permission to put them on locations outside its branches. Other banks such as Saudi British Bank (40 per cent British Bank of the Middle East) are in the computer race as well.

The National Commercial Bank is consolidating its position as the bank with the largest number of branches. As the Kingdom's largest bank, it is expected to take a lead role in many loan syndications. This is a field in which Saudi based banks are beginning to participate. They were previously inhibited because of the Saudi businessman's aversion to telling competitors anything about what he is doing. The Saudi Arabian Monetary Agency (SAMA), however, has applied pressure so that the Kingdom's commercial banks will start syndicating loans to fund petrochemical and other industrial projects.

While the market forces changes in the way banks are doing their business, the country's central bank SAMA has been flexing new muscles. It performed its first "save" by propping up Saudi Cairo Bank after heavy losses were discovered. Saudi Cairo lost $105m because two top executives embezzled that amount to invest in precious metals. Saudi authorities jailed Mr Baghat Khalil, former managing director, and Ahmed Abdul Raseet Rajneh, former foreign department director, for one year. They were also fined less than $3,000 each. Although there was some surprise at the light sentences given, SAMA is reckoned by bankers to have handled the affair well.

### Approval

SAMA is also examining the result of its "T-Bill" or deposit programme. This programme was started near the beginning of the year. SAMA offered 91-day deposit notes. At first they were non-negotiable and non-transferable. The banks eventually succeeded in securing slightly better interest rates on the deposits and the right, with SAMA approval, to trade them. After SAMA has finished studying the results of its programme, it is expected to announce a more permanent deposit note scheme. This sort of system will give SAMA more central bank powers to adjust money supply.

SAMA will have to grapple with serious questions during the coming year. It plans to transform money exchangers into banks. SAMA may also find itself having to supervise more closely banks struggling in a tougher economic environment.



# Deadline approaches for registering as normal currency dealers

## Saudi money exchanges

DOUG GRAHAM

THIS YEAR is supposed to be the year of decision for Saudi Arabia's money exchangers. The Saudi Arabian Monetary Agency (SAMA) set 1984 as the deadline for the exchangers to stop taking current accounts and to register as straightforward currency dealers. As an alternative the biggest company, the Al-Rajhi Company for Currency Exchange and Commerce, and, it is thought, a few of the smaller institutions have been given the option of turning themselves into Islamic banks.

This is important because of the sheer size of the money exchangers. Every large exchanger, of whom there are about eight, takes current account deposits. They also make loans in the form of overdrafts to selected customers. The exchangers are an accepted part of Saudi society. They scrupulously maintain their reputations for neither paying nor taking interest.

The banks on the other hand are viewed with some suspicion by many religious Saudis because they are patently foreign and are known to deal in interest in one form or another.

### Wealthiest

The money exchangers are generally low technology affairs. One observer said that the giant Al-Rajhi Company for Currency Exchange and Commerce must be the wealthiest financial firm in the world to rely solely on manual bookkeeping. Until recently one man in the head office would simply telephone all 178 Al-Rajhi branches throughout the Kingdom with the currency exchange rates of the day. (The Kingdom's largest commercial bank National Commercial Bank by comparison has 142 branches.)

Al-Rajhi's formula for success rests in part on low overheads. Most of its offices are simple. Machines are kept to a minimum. Workers are low paid Asians and Africans known in Saudi Arabia as third country nationals (TCNs).

Through this approach Al-Rajhi has grown into the kingdom's largest money exchanger and a financial operation of international scope. The bread and butter of its operations is handling remittances.

Al-Rajhi does not say how much money is remitted every day but, for example, the much smaller Al-Rajhi Commercial Establishment for Exchange, a separate company, remits some $10m per day.

### Transformed

It is estimated that the Al-Rajhi Company for Currency Exchange and Commerce is capitalised at SR 600m ($171m), but if it is transformed into an Islamic bank, sale of stock should boost capitalisation to US$214.3m. The company when it is converted to a bank may be the size of Riyad Bank, the second largest bank in the kingdom. At present the company is owned by four brothers, Salih, Sulaiman, Mohammed and Abdullah. They personally back the firm with about $7bn in personal assets.

The Al-Rajhi Commercial Establishment for Exchange with some US$287m in deposits could end up the size of Arab National Bank.

Most of the other major money exchangers are closer to the size of the Al-Rajhi Commercial Establishment for Exchange, which has some $287m in deposits. Its owner is Abdul Rahman bin Abdul-Aziz, another brother of the four mentioned above.

The Al-Rajhi Trading Establishment, owned by Abdul-Rahman bin Salih, has more than $100m of personal backing. Rather bigger than these two are Mohammed and Abdullah Ibrahim Subai and Abdel-Aziz Sulaiman Mukairin. These firms are backed by personal assets ranging from US$300-$600m.

Below the two smaller Al-Rajhi firms are the exchangers Abdul-Aziz Kaaki, which owns a large chunk of National Commercial Bank, Ahmed Abdul-Qawi Bamaodah and Ali Hazaa. Each firm is personally backed by assets worth US$50-100m. Below this rung are perhaps 20 more small exchangers.

The money exchangers have achieved their wealth and political power because they are the "people's banks" of Saudi Arabia. The exchangers got in to banking by safekeeping money for the convenience of their customers and soon acquired huge numbers of current account deposits.

In their exchange operations most firms offer better rates than the banks and have more convenient hours in the morning and late in the evening. This is ideal for foreign labourers and is one reason why the exchangers have enjoyed success and earned the people's trust.

This trust was shaken in 1981 when the Dammam-based Abdullah Saleh al-Rajhi Company collapsed. Its owner speculated in precious metals at the time the Hunt brothers of Texas made their disastrous attempt to cover the world silver market. Abdullah Saleh Al-Rajhi is a son of Salih, one of the four partners in Al-Rajhi Company for Currency Exchange and Commerce.

SAMA had always wanted to bring the money exchangers under its control and this collapse gave it the opening it needed. SAMA permitted Abdullah's company to go under and then slapped controls on the remaining highly embarrassed money exchangers.

SAMA started requiring the money exchangers to maintain reserves and submit regular financial reports. It gave the major exchangers until this year to stop taking current accounts.

It is this pressure which is forcing the companies to evolve into real banks. Al-Rajhi had no need to go public but the Government normally requires banks to be public to some degree. Al-Rajhi Company for Currency Exchange and Commerce was expected to float its shares through the Consulting Centre for Finance and Investment operated by Dr Abdul-Aziz Al-Dukheil. Some snags have cropped up in the modernisation of Al-Rajhi and it appears that the stock flotation has been delayed.

In Jeddah, Abdel Rahman bin Abdel-Aziz Al-Rajhi has been preparing his Commercial Establishment for Exchange to become a bank for the past six years. He submitted an application for a banking licence in 1978 and like the Ahmed Hamad Algosaibi Money Exchange Bureau has since embarked on an investment programme to modernise his operation. He has computerised and installed communications equipment between branches. He recently introduced a cheque cashing card service. Fear of bounced cheques has helped keep Saudi Arabia a cash society. Abdul-Rahman requires customers to deposit money for each cheque he issues. He then guarantees that the cheques will be honoured by participating stores.

### Branches

The Al-Rajhi Commercial Establishment for Exchange has opened 27 branches in the Kingdom and has 115 correspondent banks in 50 countries. The firm also owns investment companies in several countries and may enter loan-making activity as a risk sharer. It is simply waiting for final approval of its application.

Its officials put some credence in a persistent rumour that the Government will make some of the money exchangers banks in their own right and consolidate the smaller exchangers into one single bank. Opinion is divided on whether SAMA will enforce the ban on current accounts immediately or will wait. The companies that have applied for banking licences will probably be given periods of grace while others may face government action.

The money exchangers, for all their size, are not expected radically to change the banking environment in Saudi Arabia. They will adopt the Islamic style of banking which requires investment more than traditional loans and is generally less profitable for depositors. Because of this most bankers believe that the exchangers will retain their present niche of the market and remain what they already are — Saudi Arabia's ultimate retail bankers.

# Loosening of purse strings needed to lift the gloom

## United Arab Emirates

KATHY EVANS

AS 1985 approaches, the mood of the UAE banking community is at its most unsettled for many years. Even one year after the forced restructuring of the Union Bank of the Middle East, once the country's third-largest bank, the system is still marred by rumours of difficulties at other institutions. This gloomy atmosphere has inevitably affected overseas banks' view of the UAE banking system.

The last two years have been euphemistically referred to as a period of "consolidation." But in fact, the situation is much worse than that, for the downturn in trading has revealed the system's inherent weaknesses and inability to cope with hard times.

The root of the problem goes back to the mid-1970s when bank licences were being handed out freely, not only to foreign banks but to any group of prominent nationals who wanted to form their own banks to be the flagships of their trading empires.

Foreign managers subsequently found that it was particularly difficult to refuse the chairmen of their banks, or their friends, substantial loans, or prevent their institutions being used to strengthen the owners' local influence.

The sheer number of banks given licences was also a major problem. Today there are 24 locally incorporated banks with 156 branches, and a further 29 foreign banks with 128 outlets. On top of that, there are three banks holding restricted licences one specialised bank, the Emirates Industrial Bank, two investment institutions, three merchant banks and 14 representative offices. This is all for a population of about 1.3m people, a large number of who do not even use banks.

### Can't say no

In the words of one banker, the Government's problem was its inability to say "No."

A newer problem has been that the banking system operates without a code on bankruptcy, and is governed by a legal system in which there is occasional confusion between Sharia law, which forbids interest, and commercial law.

The lack of a formal iron-clad law on bankruptcy has become a serious shortcoming in the last two years. With the oil glut in the world markets, Government revenues dropped 18 per cent last year, after a fall of 21 per cent in 1982. The Federal Government is presently operating at a deficit and has been paying its employees several weeks in arrears. Contractors have also been squeezed and, despite occasional cheque-signing sprees by senior sheikhs, local companies have suffered severely while waiting to be paid for work carried out.

Although the payment problems being experienced by local companies are beyond their control, it is also true that many of them have been badly managed and audited in previous years.

When boom conditions prevailed, this did not really matter, for while there was plenty of work around and rents were soaring, most of the inefficiency could be masked with money. Now that the Government has tightened the purse strings, perhaps too stringently, the private sector has suffered.

It is not surprising therefore that banks in the Emirates are finding themselves with a growing number of non-performing loans.

### Hazardous

But when banks attempt to liquidate a borrower the process can be hazardous and unpredictable, particularly in the case of nationals with close associations with ruling families. Bank managers in the country talk angrily of court judgments being ripped up, ignored and proved entirely useless. Naturally, the customers with the most influence prove to be the ones with the largest loans and greatest problems.

Even if the liquidation is successfully secured, the assets of the client can look singularly unattractive in a declining market. The exodus of expatriates is finally having a depressing effect on land and rental values and business generally.

Not all the blame can be laid at the feet of UAE nationals. Many experience dishonesty, fraud and outright theft by the expatriate staff they employ.

One typical tale concerns a loan extended by a local bank to a policeman, a UAE national, who was a businessman in his off-duty hours. The expatriate Arab manager employed by him ran off, taking considerable amounts of company funds with him. When the company experienced problems and the bank sued for liquidation, a judgment was handed down by the courts against the policeman.

The client then went into hiding, curiously absent in all his usual places. When an official of the bank finally went to see the man's senior officer, the officer ripped up the court judgment. The bank went to the court again, only to have its request for a second ruling thrown out.

Nobody wants to be responsible for putting anyone in jail for bankruptcy, particularly if it concerns a prominent national. Similarly, the sheikhs hesitate to penalise their citizens for a sluggish economy.

Given such an environment, bankers question whether it is possible to run a banking system at all. "Nationals are now trying to walk away from their debts entirely," commented one manager. "And even the Central Bank has its hands tied—there is a limit to what even it can say to a sheikh."

The banks have reacted by pulling up the drawbridge. Bank credit has barely increased; it was Dh 31.7bn ($8.6bn) at the end of 1982 and only Dh 33.5bn ($9.1bn) a year later. Bank's profits have fallen dramatically, by as much as 47 per cent in the case of the National Bank of Abu Dhabi, in other cases by 20 to 30 per cent. All are naturally making provisions on non-performing loans.

A number of banks have suffered because of international liquidity problems. Some Dubai banks have been badly bruised by the rescheduling of Nigerian loans, or by commodity brokers dealing with countries which have had to restructure debts. Others have experienced problems because of disputes between their owners. Another, Union Bank of the Middle East, had to be rescued by the Central Bank and the Dubai Government after its founder and chairman, Abdul-Wahab Galaderi, played the gold markets too heavily and borrowed too much from his bank.

The Central Bank has taken certain measures, such as limiting the amount a director can borrow from his bank. A number of banks found this requirement difficult to meet and some had to be given time to bring their directors' borrowings down.

However, bank executives are now saying that mergers between the banks have become an urgent necessity.

The Central Bank has long been urging the 24 locally incorporated banks to merge with each other or combine with some of the foreign banks. Recently, the Minister of State for Financial Affairs, Ahmed al Tayer, talked of forcing the banks to merge if they did not do so voluntarily.

In the 18 months or so that the Government and the Central Bank have been talking about mergers, absolutely nothing has happened. Local trading families and their bank executives say that no serious talks have taken place yet.

### Ruling families

One of the questions which will arise is which banks will be allowed to stay as they are, or at least retain their own names. It is widely believed that the six institutions thought of as individual states' "national" banks, owned by the ruling families or governments of their states and mostly with National in their titles, will either be exempt from mergers or will absorb other banks.

It is probably the bigger national banks that will takeover others, the smaller national institutions, which are already among the smallest banks in the emirates.

Those of the other 18 banks that are not absorbed will have to merge among themselves. Eventually, the authorities would like a total of no more than 10-12 locally-registered banks.

Mergers have become vital to strengthen the capital base of the banks. They will also streamline management and save costs, points out Ahmed al Tayer. Local bankers have been heartened to hear the Minister's recent talk of forced mergers, but points out that the Minister himself is chairman of two banks in Dubai which are obvious candidates for merging.

The Abu Dhabi ruling family and prominent businessmen also have common ownership in three local banks, but here too there has been no discussion about a possible merger.

Ahmed Tayer responds by saying that he would prefer to see mergers take place between banks in different emirates. A bank with a good deposit base in Dubai might come together with one from Sharjah and another from Abu Dhabi. In that way, the new unit would have a strong representation in each of the major emirates.

Strengthening the banks will help, but not cure, the problem of non-performing loans which litter local loan portfolios. The Minister, Ahmed Tayer, comments that the doubtful loans are the mistake of the banks, and that there was insufficient study before the loans were made and insufficient security to back them.

### Bankruptcy code

"The banks are largely to blame for this, but we are nevertheless discussing with the Economy and Justice Ministries the possibility of establishing a code of bankruptcy," al Tayer said in an interview. He adds that no one, not even a member of a ruling family, is above the law.

One of the mechanisms under study to improve bank liquidity is the issue of CDs by the Central Bank. Discussions have been going on for some months now about the issue of $1bn in CDs denominated in dirhams. There have been difficulties in marketing the issue however.

The banks claim that the margin offered on the notes is not competitive, and they point out that there is no secondary market. Central Bank officials respond by saying that they are offering "good paper with a government guarantee," and that the margin has been considered.

The funds are reputedly to be used to provide liquidity to needy banks, but some local executives suspect that part of the funds will be used to help the Federal Government finance its Dh 4bn ($1.09bn) deficit.

It is the prospect of mergers between the banks that is going to drastically change the picture of UAE banking in the next 12 months. There appears little likelihood of any increase in Government expenditure in 1985, and a number of projects which bankers were looking forward to, such as the Dh 1bn Saadiyat bridge, are being cancelled.

Economists argue that while the oil market glut persists and nearly half the Government budget continues to be spent on defence, there seems little hope of a much needed boost to the economy.

Cutbacks in state spending were needed, but the Government has over-compensated for past indulgences. The purse strings need to be loosened slightly and Government debts to the local private sector paid off. A simple move such as this could substantially improve the picture in the short-term. The future, as usual, depends on Government budgets and the world oil market.

## Storm of argument in United Arab Emirates

# A trail of bitterness and sense of unease

**Galadari Bankruptcy**
KATHY EVANS

WITH THE liquidation of the assets of Abdul-Wahab Galadari of Dubai, the United Arab Emirates is undergoing its first full scale bankruptcy—in a total legal vacuum.

So far the experience has led to a flurry of international court actions, and a trail of bitterness within the country itself.

The saga has its political overtones. "A.W.," as he was known locally, was of Persian origin, and the Government's hot pursuit and subsequent seizure of his assets has caused the local Iranian merchant community to feel a sense of unease.

The sentiment may be unjustified. Nevertheless, the merchants' fears might not have been so strong had Sheikh Rashid, the Ruler of Dubai, been in good health. The Ruler was known in the region not only for his habit of surrounding himself with advisers of Persian origin, but for his long tradition of support and protection of his Emirate's merchant community.

Now one member of that community has become bankrupt, largely through his own well-known love for the commodity markets, and one particular commodity—gold. According to the financial folklore which has grown around the flamboyant personality of A.W., his losses on the gold market went to $100m in two weeks, and occurred when he failed to consult his usual soothsayer on the subject, an Iranian lady called Zainab, who lived in Pakistan.

The first victim of his gold market spree was the pillar of his local influence—the Union Bank of the Middle East. In November last year the central bank of the Emirates together with the Dubai Government was forced to come to UBME's rescue at a cost of Dh 1bn.

### Total exposure

Mr Galadari's borrowings from his bank, of which he was chairman, were estimated at Dh 2bn. Overall, his total exposure on the commodities market is estimated by the UAE Minister of State for Financial Affairs, Ahmed Tayer, to be around Dh 3.2bn, while his assets are thought to be between Dh 1.8bn and Dh 2bn.

Since the rescue of the bank in November, a number of things have happened. A.W. was forced to resign as chairman and give to the Dubai Government power of attorney over his financial affairs. (The second of these concessions was reported to have been secured during a period of confinement at police headquarters in Dubai.) A new board was established headed by the minister Ahmed Tayer, with a number of prominent Dubai merchants as members.

The principal asset of the Galadari empire, the Hyatt Regency Hotel and Galleria apartment complex, was taken over for surety for a mortgage held by the Central Bank of the UAE. There were subsequent rumours that the complex had been bought for under the market value by a member of the Dubai ruling family, but Tayer denies this.

The second most promising asset, a property investment in Singapore, was hurriedly taken over by Abdul Wahab's two brothers, Abdul-Rahime and Abdul-Latief Galadari, equally prominent merchants in Dubai. The transaction was made through a bank owned by the two brothers, the Dubai Bank.

The project is estimated to have cost in total about Dh 1.4bn, which was partially financed by funds from Union Bank of the Middle East and the Dubai Bank. Following the demise of the Union Bank, the two borrowings were taken over by Dubai Bank and turned into an investment totalling Dh 400m. The Dubai Bank is now the total owner of the old holding company in Singapore of A. W. Galadari, and thereby of the two companies created to initiate the project, Wisma Development and Forum Development.

The move also required Dubai Bank to take over the project's other liabilities, which included a S$260m loan by Japanese banks, as well as further suppliers' credits.

Dubai Bank intends to sell the project, unit by unit as soon as it is completed, in order that the money on the investment be recovered. However, officials concede that with Singapore in the midst of a recession the investment may only break even.

They add, however, that construction costs have been trimmed and the building period shortened.

The removal of two of A.W.'s major assets—the Hyatt Regency hotel and apartment complex and the Singapore project has considerably angered creditors. Many of them argue that removing the two "jewels in the crown" of Galadari's empire has impoverished the receiver's fund which has been established since.

There is also bitterness about the feeling that the bank may be treated as a preferential creditor. Such a move by the Committee of Receivers would be understandable, for the bank is slowly regaining public confidence under its new owners. Nevertheless, it has led to the feeling that the creditors are not getting a fair deal.

"Certainly the normal standards which apply in the West, following a bankruptcy are not being followed in this case," said one.

As well as the Hyatt Regency hotel and the Singapore properties, the shares once held by A. W. Galadari in his bank have effectively been withdrawn from the assets available to creditors, under the terms of a decree published in Dubai earlier this year.

The implications of the decree are being challenged in the New York courts by a U.S. firm of commodities and securities dealers, Drexell Burnham Lambert.

Mr Galadari reportedly notched up trading losses with the company totalling some $19m, part of which was paid off. However, the collateral backing the remaining debt took the form of a portion of A.W.'s shareholding in the bank.

The decree signed by Sheikh Maktoum of Dubai effectively transforms Drexel into an unsecured creditor. In its affadavits lodged with the courts, the company is also said to be objecting to the whole style of the liquidation, the removal of assets from the pool available to creditors, and the general air of secrecy which surrounds the activities of the Committee of Receivers.

The UAE side is arguing that any transfers of bank shares should have been approved by the bank's board of directors.

Drexel, in turn, argues that its physical possession of the shares proves its position as a secured creditor, and the default in effect confirms the security. The company has also criticised the fact that during the five months before the appointment of the Committee of Receivers a number of decisions were taken and transactions agreed by the temporary board of Union Bank.

### Without consultation

"All in all, we believe that our claims are not receiving adequate attention in Dubai," said a spokesman for Drexel's lawyers. The U.S. courts have yet to decide on the dispute.

Drexel and other creditors complain that the Committee of Receivers is not conducting its affairs openly enough. They point out that the takeover by Dubai Bank of the Singapore investments was done without consultation and details of the deal were never revealed. Neither has there been any information available to creditors on the sale of other assets in the Galadari group; they are forced to rely on market rumours.

There have even been suggestions that members of the committee have been buying some of the assets at advantageous prices. The Minister of State, Ahmed Tayer, says there is nothing in the law to prevent committee members or their relatives from buying some of the companies. As one merchant in Dubai commented, "some of the best names in town are on the committee."

### Major criticism

Another major criticism is the length of the liquidation procedures. Creditors and banks around town feel that because of the recession in trading, and the tendency of debtors not to pay debts to a company known to be going into liquidation, A.W.'s remaining companies have been allowed to run down very badly. During this time company employees have been uncertain about pushing for new business, and this has led to a drop in the value of the assets.

Some believe the companies in the Galadari group are now only worth 50 per cent of what they were a year ago.

Ahmed Tayer believes that this is an over-estimate, but concedes that there may have been a drop of 20 per cent on previous valuations. Either way the implication is that Galadari's real deficit is even bigger than the correct estimate of Dh 1.2-1.4bn.

Some of the assets have already been sold. The Galadari brothers say they have paid $6m for the stock and agency representation of Komatsu of Japan and JCB of Britain, heavy construction equipment companies.

Another leading merchant is reported to have bought the assets and liabilities of Galadari's construction company in Iraq, while Wardley is said to be interested in buying the Galadari commodities firm.

However, the sales of these assets have not been officially confirmed by the Committee of Receivers to creditors requesting information.

As for Mr Galadari himself, he is undergoing medical treatment following a stroke earlier this year. He spends the time walking in London parks, eating good food and watching television, he says.

"I'm a retired man now, and I'm even beginning to like it. Certainly my wife prefers it, and so do my friends. They have no competition now," he adds.

Nevertheless, A.W. intends to return to Dubai to live. "It is still my country and my only home. Only cowards leave," he explains. At present he has no plans to resume his former business life—at least until the affairs of his companies are fully wound up and he is discharged. "But in three or four years, maybe I'll come back. I always vowed to," he says.

# Business begins to flatten out

**Egypt**
TONY WALKER

EGYPT'S banking sector is having to adjust to more difficult economic circumstances and sometimes confusing signals from the central Government.

The trend is towards more modest profitability for commercial banks, both public and private, from recent heady days when increases in profits in the order of 100 per cent were commonplace.

This in part reflects the Government's tighter money policies of the past several years and other factors such as a tapering off in increases in oil revenues and worker's remittances.

The Government's efforts to hold down imports have met with moderate success. But with a squeeze on oil revenues, Egypt's main export earner, due to rising domestic demand and lower world prices, and an increasing foreign debt to be serviced, prospects are for continuing pressure on hard currency reserves.

Under World Bank urging, Egypt is seeking to broaden its export base—in 1982 oil and cotton accounted for some 79 per cent of exports—but developments in this area will be slow.

Slowing of activity in the banking sector is shown by the most recent figures available from the Central Bank of Egypt. Assets of public sector commercial banks grew by 15.8 per cent in 1982-83 compared with 31.4 per cent in the previous year.

The picture was much the same for private sector commercial banks. Assets grew in 1982-83 by 25.5 per cent compared with 102 per cent the previous year.

Similarly, lending by commercial banks slowed markedly in 1982-83. The increase in loans by public sector commercial banks was 18.9 per cent compared with 34 per cent the previous year.

The reduction in activity was reflected in much lower rates of profitability last year on average between 15-20 per cent. Profit growth is likely to be down further this year.

The Government has continued its criticism of what it regards as conservative lending policies of the non-public sector commercial banks established under the investment law. These include joint stock companies (partnerships between foreign and local banks) and foreign currency branches.

A Central Bank official said there was a "shortage of financing at appropriate terms for productive industrial investments." Central bankers claim that private sector commercial banks would much prefer to engage in trade financing or lodge their surplus funds on Euromarkets.

### Limited success

They concede that the introduction of a differential interest rate aimed at encouraging borrowing for industrial projects had achieved only limited success to date.

And indeed foreign bankers are highly critical of the system which they say acts as a disincentive to lend to industry because of the lower interest rate. Under the differential interest rate system, funds are available for industrial projects at a maximum of 13 per cent and for trade financing at a minimum of 16 per cent.

The bankers cite a number of constraints on entrepreneurial investment in the industrial sector, notably an artificially low official exchange rate which has caught out a number of private sector borrowers who took U.S. dollars several years ago at the rate of E£0.84 to the dollar and now have to repay loans at the open market rate of about E£1.25 to the dollar.

A recent World Bank study critical of the Egypt's management of its exchange rate found that the multi-tiered system where there are large differences between various fixed rates and the "open" market rate "tended to distort managerial decisions and preclude the most efficient use of available foreign exchange."

The World Bank's trade strategy and investment planning study and one undertaken by the IMF (International Monetary Fund) said there was a need for the gradual unification of exchange rates, particularly those applying to price sensitive transactions such as imports and exports.

Since those studies were published, the Central Bank has instituted a new incentive rate of $1 to E£1.12 aimed at attracting worker's remittances worth $2.5bn last year through conventional banking channels.

But indications are that the new incentive exchange rate has had only limited success in deflecting dealing away from Egypt's booming open market, which handled about an estimated $3bn last year. There is normally a 10 per cent differential between the best official rate on offer and that available on the "free" market.

Attempts to discourage the activities of the more blatant currency dealers by the Government have had little impact on the activities of the open market as a whole.

The multi-layered exchange rate system has a confusing six or more variations that starts with a rate of E£0.4 to the dollar for transactions with some Eastern Bloc countries, E£0.7 for imports of basic commodities such as wheat, an official incentive rate of E£0.84 for public sector imports, the new incentive rate of E£1.12, an importer's rate of E£1.18 and the free market rate of E£1.25 to the dollar.

Government policies of curtailment on credit expansion in the past year or so, such as the rule that banks cannot lend more than 65 per cent of deposits has left the banking sector flush with funds.

Most banks have not lent up to their limit, partly because of a shortage of "bankable" projects. One foreign banker said his bank was open to lending on a term basis, but projects were not being presented with "proper feasibility and costing studies on well-structured proposals."

### Equal incentives

Noting that business was "flattening out," the foreign banker said that Egyptian businessmen were taking a "wait and see" attitude on investment at present. They were seeking in part changes in economic policy giving equal incentives to the public and private sectors.

One of the results of the present slowing in activity is that foreign currency branches may seek licences to establish joint stock companies with local financial institutions so they can trade in both local currency and foreign exchange. Two foreign currency branches considering such a move are believed to be Citibank and Credit Suisse.

The central bank has had an active and interventionist 12 months. It stepped in earlier this year when it appeared that at least one local bank was in danger of collapse after a branch of Jammal Trust, a Lebanese-owned bank, refused to honour cheques issued on behalf of a well-known Egyptian money changer on the grounds they were not properly authorised.

Mr Ali Jammal, chairman of Jammal Trust, was placed under house arrest over the affair. A scheme of arrangement has been worked out by Jammal Trust with Irving Trust of New York to repay in instalments more than $30m owed to three local banks. But the episode has cast something of a shadow over

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# Economy starts to crumble

## Lebanon

NORA BOUSTANY

FOR THE first time in 10 years of turmoil, economic conditions are more menacing than the fighting in Lebanon. Perhaps this country's worst casualty is the battered confidence of the Lebanese in the future of their nation and currency.

Previously, Lebanon's thriving banking sector and vibrant service economy were a cushion to chronic combat and security disasters. Now, despite a truce of sorts, it is feared that any slip-up or renewed military confrontations will prove fatal to the economy and set off a banking crisis.

"If we have two or three months of stability, we will adjust and survive, but no major fighting will be withstood," said Dr Andre Chaib, head of the statistics department at the central bank, Banque du Liban.

Dr Chaib conceded that there was an "erosion of the capacity of the Lebanese economy to accommodate to more shocks."

Dr Nasim Saliba, head of Société Financiere du Liban said: "Before, even in the worst days of shelling, economic conditions were better. Now the fighting has stopped and yet people's confidence has not been restored. This is the turnaround."

Half a dozen other bankers said that 1983 had been a turning point for the Lebanese economy and consequently the banking sector.

### High profitability

Until 1982 the impressive number of applications for bank licences (in spite of the existence of some 92 banks) was an indicator of high profitability in the banking business. Since then Lebanon has entered its longest recession of the last decade, and probably the most serious in the past quarter century.

A virtual standstill in trade and exports since the Israeli invasion, a simultaneous fall of capital inflows and the first deficit in the balance of payments last year since 1976 led to a slump in banking activity. this year, the balance of payments deficit has swollen to $1bn (£800m), shattering a tradition of surpluses in preceding years.

To cover its budget deficit, the Government is borrowing from the banking system through the issue of Treasury bonds at an increasing interest rate, which started at 11 per cent and has reached 14.5 per cent. At the end of March 1984 domestic loans by the commercial banks totalled 51bn Lebanese pounds (£5.47bn); of this figure L£15bn, 34 per cent of the total, was taken by the Government. At the end of 1981, only 6 per cent of total credit went to the Government.

The increase in lending to the state has partly reflected the freezing of advances to the private sector. A rising mood of caution has prompted Lebanese banks to favour lending to the public sector because of the guarantee of repayment. At the end of July, Lebanon's public debt stood at L£26.17bn. Fortunately, Lebanon has no mentionable foreign debt.

This may change drastically, however, when and if reconstruction is launched.

The pattern of concentrated lending to the public sector is an outcome of shrinking short-term investment opportunities and a worsening quality of debts. A number of Lebanese banks are believed to be in trouble because their loan portfolios have not been adequately provisioned.

Banks have been counselled to increase their bad debt provisions substantially in the last two years. Dr Elias Saba, chairman of the Business Allied Bank, estimates that about one-third of total credit to the private sector is non-performing.

### Bouts of fighting

It is suggested by other bankers that loans to businessmen and industrialists whose work has been hampered by incessant bouts of fighting, reduced productivity, sluggish exports, power cuts and the difficulty of moving from one geographical area to another should be considered as dead. Most banks here, however, have continued to carry these loans on the asset side of their balance sheets.

About half of commercial banks' loans of L£40bn to the private sector are in the form of overdrafts or have been given against personal guarantees with no real collateral that can be called.

Mr Charles Debbas, a banker and legal consultant, cautions that the banking system is "vulnerable" and that there are certain banks with liquidity problems. In the first such move, the central bank issued a circular to banks asking them to observe a liquidity ratio of at least 25 per cent by December 31, 1984.

The central bank also advised banks to maintain a solvency ratio of at least 3 per cent and recommended that they did not distribute dividends for the year 1983 but book profits in an account of "free reserves."

The near-collapse of a medium-sized Beirut bank, the First Phoenician, last spring was an ominous preview of what could unfold. The central bank had to intervene to prop up First Phoenician, which had taken over First National Bank of Chicago's operations in 1982. The treasury put up some L£700m to help the bank upon discovering an acute liquidity shortage due to excessive speculation in foreign currencies and metals, as well as a flagrant violation of credit ceilings to individual borrowers.

The central bank's swift action, enabling First Phoenician to pay all its commitments abroad, was aimed at saving the banking system's international reputation and hedging a chain reaction. Bankers believe there are five or six banks getting substantial backing from the central bank.

Though the banking system has been working under extremely harsh conditions, the emerging malaise is partly attributed to unorthodox banking and a not-so-efficient control machinery at the central bank.

Weighed down with political and military crises, the Lebanese Government failed to appoint a new vice-governor in February last year when the incumbent's term expired. The mandate of two other deputy governors ended on August 31, 1983. Political wrangling over who should become the new governor has so far stalled an appointment to this post as well and the existing governor, Michel Khoury, has been asked to stay on temporarily despite his opposition to the idea.

So for about a year there has been no quorum in the bank's central council, which groups the bank's deputies and the directors general of the finance and economy ministries.

Members of the Central Bank Control Commission, who left the public sector for other jobs, also have not been replaced. This has given rise to indecision and ineffectiveness in reining in irresponsible banks which have been concerned only with quick profits.

"What is going on here is criminal," said Dr Willy Rellecke, the West German general manager of the RIF Bank, in which Commerzbank is a shareholder.

"The problem with the Central Bank is that it does not have its own militia," said a cynical observer of the Beirut banking scene. The Lebanese banking sector's envied control-free foreign exchange and bank secrecy laws will become "worthless myths" if indiscipline persists, warned a Beirut-based European banker.

Mr Fady Amatoury, general manager of the Inter-Continental Bank of Lebanon, argues however that Lebanon's credit rating is still good and that U.S. and European banks have maintained their trust in and lines of credit to Lebanese banks.

What has helped certain banks maintain their operations here and justified continued services is their extension in the diaspora. Dr Chaib at the central bank says there are at least 25 groups which have established branches or subsidiaries in European and other capitals. Those banks followed their clientele, expanding their businesses beyond Lebanese borders in the wake of the civil war.

### Weakened position

More worrying than the weakened position of some banks is the health of the Lebanese pound and the unravelling of a monetary crisis. Despite a still untouched gold cover (9,222m ounces bought at $42 per ounce), the Lebanese pound's fall against the dollar has triggered stringent measures by the central bank.

Feverish speculation against the Lebanese pound helped bring its exchange rate crashing to L£8.04 to the dollar in the first week of October. In September 1974 it stood at L£2.25 to the dollar.

The central bank ordered banks to reduce their overboard position in foreign currency from 50 to 15 per cent of their capital as of October 8 1984. A number of banks have received heavy fines for keeping deposits in foreign currencies above the 50 per cent ceiling, but others have continued to play the market with impunity. Banks' and individuals' profits on foreign exchange in the absence of sound domestic investment opportunities last year rose to L£3.2bn. A number of banks have used their branches in Paris to escape central bank restrictions on speculation.

It is hoped that the drastic reduction in foreign currency deposits by banks will stabilise the dramatic downward trend of the Lebanese currency. The central bank will also require daily statements on banks' dealings in foreign exchange to control their activities better.

Dr Fuad Siniora, former head of the Central Bank Control Commission, described the measures as "helpful and encouraging," but noted that their effect will be provisional. "The decisive factor will be stability and a political solution," he added.

### Bank intervention

Critics maintain that the central bank intervention has come too late and that it will not stall further fluctuations. Many feel that the vital psychological barrier has been broken. Public opinion has been a barometer for the fall of the Lebanese pound.

The uncertainty of whether Lebanon will go back to what it was, be irreversibly fragmented, or adopt a federal system is punctuated by outbursts of violence and overcast by a dispiriting lack of progress on national reconciliation.

"To make things worse, all economic considerations have converged against us in time and place," according to Dr Elias Saba, chairman of the Business Allied Bank and a former finance minister.

"The Israeli invasion and the ensuing misdirection of Lebanon's foreign policy towards the U.S. and Israel was fatal, in that it gave oil-rich Arabs the best justification for ignoring aid commitments to Lebanon," he said.

Since the Lebanese have always been sensitive to, and flexible to, money, Dr Rellecke of the Rif Bank has hopes that the economic crisis will pressure them into poltical reconciliation, especially because banking in Lebanon can be looked upon as a non-sectarian institution.

It is accepted that from now on the state will have to intervene more in the banking sector.

Efforts to salvage the exchange value of the Lebanese pound are crucial at this stage, since reconstruction needs are expected to cause further depreciation.

To help banks over their loan difficulties several bankers have suggested that a long-term financial corporation be established to take over the doubtful portfolios and wait until some loans can be recovered. This would reduce the load on the short-term oriented Lebanese banking system.

"The aim of making a new era of successful entrepreneurship possible, once political problems are solved, will require Lebanon to turn the coming few years into an age of the economist," says Dr Chaib, one of the candidates considered for the vice-governorship of the central bank.

"We can no longer leave it to the system to take care of itself. From now on coordination will be needed."

# Business starts to flatten out

CONTINUED FROM PREVIOUS PAGE

a corner of Egypt's banking sector.

A spin-off from the Jammal Trust-Pyramids affair has been a strengthening of credit control measures by the Central Bank. These include stricter supervisory provisions over banking activity and imposition of a rule that banks cannot lend more than 25 per cent of paid-up capital and reserves to any one private sector borrower.

Foreign bankers have objected to the measure on the grounds that it places an unreasonable restriction on their activities. They regard it as an ill-advised intervention by the authorities.

Central Bank representatives say simply that it is open to foreign banks to increase their paid-up capital and reserves and note that funds lodged by these banks in Egyptian government securities have remained static for the past several years at just over $170m.

The financial community generally welcomed the recent budget which sought to rationalise some areas of Government spending and gave indications that the authorities may be serious about steps to reduce subsidies. But recent food riots in a Nile Delta town may have taken some of the edge off the Government's enthusiasm for much needed pricing reforms.

The deficit for 1984-85 is projected at E£5.4bn ($6.5bn), an increase of 7.7 per cent over last year on outlays which grew 12.8 per cent to E£18.28bn ($22bn). The banking system's contribution to helping finance the domestic deficit this year is expected to be in the order of $1.5-2bn.

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## A need to rekindle investment interest

A LAW is new awaiting ratification by Bahrain's Cabinet for the establishment of an official stock exchange, which it is hoped to have in operation sometime next year. Initially it will list the shares of the 20 Bahraini joint stock companies and of those locally-incorporated offshore companies (ECs) which meet its criteria.

Perhaps an organised trading system is what is needed to rekindle investors' interest, but at the moment the market is dead. Although share prices have fallen 70-85 per cent below their speculative peaks of two and a half years ago, no-one is buying.

A Bahraini banker reasons that "if anyone had the guts to go into the market now and buy up hotel shares at below book value, they could make a lot of money. The hotel industry will be the first to benefit when the causeway comes." But the Saudi-Bahrain will not be open to traffic until 1986, and investors prefer to wait and see.

The Bahrain market has never recovered from the loss of confidence which followed Kuwait's "Crash of '82", although there is no shortage of liquidity and only a handful of speculators were badly hurt. Analysts are at a loss to explain why normal market forces should not by now have intervened to support the stock value of profitable Bahraini banks and trading companies.

However, one reason advanced for the current lack of activity is that "banks are not willing to provide finance for investments", as they undoubtedly were it seemed the only way the stockmarket could go was up, and speculation in land was at its height.

A major concern for the more aggressive banks is that they are holding depreciating land and shares as collateral not only against the money borrowed to buy them, but against most of their other domestic credit as well.

Land has lost at least a quarter of its value in the past two years, and although the banks ritually reassess their holdings of shares each month, on the basis of published market prices, they know that any significant quantity would be unsaleable. The effect of this situation is that an increasing portion of their loan portfolio is unsecured.

"We can ask the customer to top up his collateral," said one local bank manager, without much conviction. But what if all he has left is the creditor bank's own stock?

Collateral, of course, is not the source of payback—but loans for property development could be running into trouble, now that there is plenty of accommodation available and tenants can drive a hard bargain.

Rents have already tumbled by 40-50 per cent. "We will feel the full impact of this on debt servicing next year," is the rather grim forecast at Bank of Bahrain and Kuwait.

# Diversification eases the blow

### Bahrain Domestic Banks

MARY FRINGS

BAHRAIN has suffered less than its neighbours from the reduction in oil revenues, because its economy is well-diversified. A breakdown of Gross Domestic Product (GDP) for 1982 puts the "mining and quarrying" contribution (which is mainly oil production) at 23.3 per cent, with banking and insurance 16.6 per cent, trade and hotels 11.3 per cent, industry 10.8 per cent and transportation 9.4 per cent.

Business is certainly not booming, but it is ticking over, and government and private sector construction activity remains at a high level. The consolidated assets of the 19 domestic banks grew by a modest 3.5 per cent in the first half of this year.

However, a 17 per cent fall-off in banks' letter of credit and guarantee business (contra accounts) in the third quarter of 1983 has not been made good; and next year will see the completion of the big construction projects which are being funded mainly by neighbouring states (a $300m iron ore pelletising plant, a $450m petrochemicals complex, a $120m aluminium rolling mill and the $700-$800m Saudi-Bahrain causeway).

At the same time speculative commercial and residential property development is likely to tail off in response to an over-supply situation, and there is a limit to the number of banks which still need—or can afford—a new multi-storey headquarters.

Fewer projects in progress will mean an exodus of expatriate labour, and it is uncertain whether the hoped-for influx of weekend visitors across the causeway from Saudi Arabia will compensate for the effect this will have on consumer demand.

There is no getting away from the fact that Bahrain is a small territory (600 sq km) with a small population (350,000 including 100,000 expatriates) and limited resources. It has experienced a decade of phenomenal development but there is not too much room for further growth. The future is not promising for at least some of the 20 banks (counting in the Bahrain Islamic Bank and the newly-incorporated Bahraini-Saudi joint venture, which is due to go into operation by the end of the year) competing for domestic business.

### Hardly worthwhile

Banque du Caire made a BD 40,000 loss in 1983 and Bank Melli Iran, Bank Saderat Iran and Rafidain Bank did no better than break even—although they could have pitched provisions for bad and doubtful debts at a level which avoided repatriation of profits.

Algemene Bank Nederland, National Bank of Abu Dhabi, Banque Paribas and Arab Bank, all of which have offshore banking units (OBUs) in Bahrain, earned so little from their commercial branches that the dual operation must have seemed hardly worthwhile.

The same could be said of Citibank and Chase Manhattan, which showed a better return on fairly minimal assets, but are clearly not interested in the retail market.

The Bahrain Islamic Bank plays a complementary rather than a competitive role, while the two Pakistani banks (United and Habib), who rank sixth and seventh in terms of assets, have a safe niche in the market as long as there are community and trade links with Pakistan.

At least half of total domestic business is handled by National Bank of Bahrain and Bank of Bahrain and Kuwait, while another one-third is shared between Chartered Bank, British Bank of the Middle East (BBME) and the locally-owned Al Ahli Commercial Bank which is now five years old.

Mr Gregg Krikorian at Al Ahli has an easier task than the market leaders whose main preoccupation must now be to protect their market share. He comments with a smile: "When you have only 10 per cent of the business there is another 90 per cent to have a go at"; and Al Ahli has indeed done proportionately better than its competitors, with a 50 per cent improvement in interim profit between 1983 and 1984.

The two British banks are not looking at a diminishing operation either. Chartered, whose roots in Bahrain go back more than 60 years, spent some BD 6m ($16m) on an imposing new nine-storey head office in 1981 and has just completed a BD 130,000 face-lift to its East Rifaa branch premises.

With offices in 60 countries, Chartered's strength is in trade financing but it also has about a third of all the small savings accounts in Bahrain. It traditionally pays below the maximum permitted interest rate on term deposits but has kept its prime lending rate down to 10 per cent, against 10½ to 11½ per cent elsewhere.

BBME makes the industrial sector its priority, and is sending three key officers to Singapore and Hong Kong for what manager David Livesey calls "saturation" in small- and medium-scale industry. Although the major industrial projects in Bahrain are government-owned, there is a lot of potential for private downstream development at the semi-processing level, and for import-substitution manufacturing. Two such ventures recently supported by BBME are a sulphuric acid plant and a factory making disposable syringes for medical use.

As the first, and so far the only bank in Bahrain to install Automatic Teller Machines (ATMs) in all its branches, BBME has shown its determination to keep ahead of the game in technology, and there may be more developments to come. As far as investment in premises is concerned, the Muharra branch has just moved into a BD 500,000 ($1.3m) new building while the head office (embellished with a huge pair of glass-fibre sliding doors depicting Bahrain's best-known historical artefact, the Dilmun Seals) was rebuilt in 1978.

National Bank of Bahrain (NBB) has had to review its marketing strategy in view of the forecast local construction slowdown and the reduction in lending opportunities in the surrounding region. Mr Yacoub Y. Mohamed, the assistant general manager (credit and marketing) says NBB has always concentrated on contracting/construction finance "because that is the business we understand best and which has brought in the bulk of our fees."

### More attention

Now the bank is giving more attention to the trading sector (taking on Al Ahli Bank at its own game) and to making better use of its network of 17 branches to reach the small borrower. It also intends to increase its range of retail products with the introduction in 1985 of a personal credit card.

Internationally, the emphasis is on quality rather than quantity, with the aim of maintaining profits without aggressive asset growth. NBB is still participating with international banks in loan syndication, but keeps clear of sovereign risk and balance of payment support facilities. However, the kind of corporate credits which it prefers to lead manage have been rather thin on the ground this year.

The view at Bank of Bahrain and Kuwait (BBK) is that if the bank is going to expand at all, it has to do it outside Bahrain, and to this end it has just taken up licences to operate branches in Bombay and Karachi. "It does not serve our purpose to go to London or New York, and compete in a high cost area with our correspondents there," says Mr Paul Francis, the general manager. "Our strategem is to be a regional bank for the Gulf and contiguous areas."

Although BBK is the only bank in Bahrain to have set up a separate foreign exchange branch, which stays open outside normal banking hours to handle remittances to the Indian sub-continent and elsewhere, remittance business will be only a small part of the new branch operations in India and Pakistan.

Among their priorities will be pre-export financing for local companies gearing up to produce goods for the Middle East market, and acceptance financing for importers, as well as regular letter of credit business.

But if BBK has decided against seeking representation in London under its own name, it is in favour of reassessing its feasibility of a Bahraini consortium bank there, on the lines of United Bank of Kuwait. Al Ahli Bank is not in favour, on the grounds that if anything, the market is more competitive than when Peat, Marwick Mitchell, the accountants, carried out the original study two or three years ago.

In Mr Krikorian's opinion, the proposed Bahrain International Bank (which would now need a name-change to avoid confusion with a recently established OBU) would be barred from the retail sector by the lack of a natural deposit base, and would need capital of at least £100m to compete as a wholesale bank.

A new challenger on the domestic banking scene is Grindlays Bahrain Bank (GBB), which was restructured as a 60-40 local joint-venture in May this year. Although it is still a very small-scale operation, GBB has more than doubled its assets in the first four months of trading, while deposits increased from BD 9m to BD 23m.

A primary objective will be to claw back and expand the substantial bonding business which Grindlays (as a foreign branch) enjoyed two to three years ago, until the Ministry of Finance restricted the issue of bid bonds and performance guarantees on government contracts to locally owned banks.

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# Outlook not as bleak as foreseen

### Bahrain Offshore Banks

MARY FRINGS

THIS YEAR has not after all turned out to be "The Morning After" for Bahrain's offshore financial community, despite what at least one Bahraini banker saw as a bombshell delivered in person last December by the acting governor of the Saudi Arabian Monetary Agency (SAMA).

The message was that Saudi Arabia wanted to maintain control of its currency and develop the role of its own banks. The logical conclusion was that Bahrain Offshore Banking Units (OBUs) were to be denied access to the Saudi market, and that those with no other viable business might as well shut up shop.

There is little doubt that over the years, SAMA's restrictions on the participation of foreign banks in Saudi riyal syndications, the possible application of withoiding tax to their earnings on direct lending to Saudi clients, and the introduction of Special Bank Deposits to soak up liquidity within the Kingdom, will effectively combine to channel the bulk of Saudi business to the domestic banks.

But a Bahrain Monetary Agency official commented recently that he was "encouraged" by the number of OBUs which had recognised that lending into Saudi Arabia was not the only thing to do, even if it had been the mainstay of their operation in the past.

In any case, the SAMA measures have so far done little to stem the flow of riyals offshore, and trading has held up well because of the volatility of exchange rates.

Overall, the market share of regional currencies (in which the Saudi riyal predominates) has hardly changed in the first seven months of 1984, accounting for 17-18 per cent of total assets and 23-24 per cent of total liabilities.

### A foothold

A number of Bahrain OBUs have also been able to retain a foothold in the project-related syndicated lending market, by providing the foreign-currency component of a multi-facility package; the most recent example was a DM 76.5m ($24.76m) term loan lead-managed and signed last month by Grindlays International, as part of a package arranged by National Commercial Bank.

A more potent factor inhibiting the growth of the OBU market has been the slowing of Arab country economies, on which the banks depended in 1983 for 66 per cent of their deposits and 47 per cent of their loans. Oil revenues have fallen dramatically as a result of both price and production cuts, and in Saudi Arabia Government project spending was reduced by 52 per cent between 1982 and 1983, from $24.2bn to $11.6bn (Opec statistics).

The Iran-Iraq War has closed off two of Bahrain's natural banking markets, as well as increasing the regional risk factor and creating funding difficulties for some of the less well-capitalised banks.

Meanwhile, the failure to find a definitive solution to Kuwait's 1982 stockmarket crisis has left a question mark hanging over the credit-worthiness of the entire Kuwaiti business community.

At Bahrain Middle East Bank (BMB), Mr K. J. A. Katchadurian says candidly that since BMB was conceived in 1980-81 as an offshore bank to service the Gulf, the Gulf market has evaporated. Liability management (in an area perceived by many international banks as politically vulnerable) is also causing concern, and the emphasis this year will be on liquidity rather than profits.

If the bank is to grow, Mr Katchadurian is convinced that it must invest abroad in joint-venture subsidiaries rather than in branches, and he is seeking permission to establish a joint-venture in Geneva as well as representative offices in London and Singapore. BMB already has a representative in New York.

One good thing which happened to BMB this year was the takeover of Grindlays by Australia and New Zealand Bank (ANZ). This enabled BMB to sell ANZ its own 11 per cent stake (which because of a legal technicality, it held as nominee), reportedly for the same rather high price it paid in 1982.

The Bahrain market at present has its bulls and its bears and both can find evidence to support their view. The bears see the shift in emphasis to the Arab Banks, led by Arab Banking Corporation (ABC) and Gulf International Bank (GIB), as a vote of no-confidence by the foreign banking community. They point to the fact that Security Pacific has closed down its Bahrain dealing room (a move described by the bank as part of a "global rationalisation"), while Spain's Banco de Vizcaya and Canadian Imperial Bank of Commerce have effectively functioned as representative offices for some time, although they are keeping their options open by maintaining their OBU licences.

At least one of the British clearing banks must have the cost-effectiveness of its OBU under close scrutiny. Meanwhile, Kleinwort Benson (admittedly a very low-key operation in Bahrain) has relinquished its investment banking licence and Banco di Roma is the latest of several one-man representative offices to pull down the shutters and save something like $250,000 a year.

The bulls, on the other hand, see Arab banks as a source of strength, with a growing role to play in the international market, witness ABC's successful bid for Banco Atlantico in April, and Investcorp's participation in the restructuring of Tiffany's, the New York jewellery firm, which was announced in August.

Despite the current debt problems, institutions such as Arlabank International have not abandoned their long-term strategy of fostering trade and investment between the Arab world and Latin America. Arlabank has in fact gained by the move from Lima to Bahrain, and interim earnings this year improved by nearly 70 per cent (to $13.7m).

Other OBUs with a foot in two regions have also been turning in some excellent results—notably Kuwait Asia, which more than doubled its 1983 interim profit (to $4.5m) and earned the distinction of becoming the first Arab bank to win a licence in Australia.

Saudi European Bank, whose head office is in Paris but which is also looking eastwards for further growth, is not complaining either. It is privately-owned (with Shaikh Ahmed Zaki Yamani among the shareholders) and does not publish its profits, but is prepared to reveal that the capital funds of its holding company have just been boosted from $40m to $125m.

As for the foreign banks, not all of them are scaling down their operations, the bull faction points out. Manufacturers Hanover Trust has just made a substantial investment in Bahrain with the installation of a regional data processing system for telex transfers, while one British bank is increasing its marketing staff to monitor its corporate and institutional business.

### More emphasis

It is also placing more emphasis on the provision of ECGD-backed export finance and counter-trade (on the Boeings-for-oil pattern).

Meanwhile, departures are counter-balanced by arrivals. There is still interest among the Japanese securities houses in the formation of investment banking subsidiaries, following a profitable first year by Nomura, and among the new applicants for representative office licences are Smith Barney Harris Upham, Robert Fleming and Japan's Tokai Bank.

Abdulla Saudi, the president and chief executive of Arab Banking Corporation (ABC), believes business for the OBUs will remain static for the next couple of years, barring a radical change in the international financial and oil markets.

After that there should be an upturn, as world economies show clearer signs of coming out of recession. The end of the Gulf war, by itself, would transform regional lending prospects.

Aside from regional problems, Bahrain as a financial centre cannot be isolated from what is happening in the rest of the world. It is as affected as anywhere else by the contraction in the international Eurocurrency market, the rescheduling of third world debt and the consequent shrinkage of lending outlets, the recent shocks to the U.S. financial system and the poor results from the overseas operations of British clearing banks.

### Moderate increase

Inevitably as it moved towards maturity, the Bahrain OBU market could not continue to put on assets at the rate of 35 per cent a year, as it did in 1980 and 1981, and the more moderate increase of 16.3 per cent in 1982 was regarded as normal and healthy.

A less welcome development, however, was the disruption of the regular growth pattern from the third quarter of that year and a substantial decrease in overall profitability.

Although assets rose by 6.3 per cent (a figure which was slightly inflated by the dressing of end-of-year balance sheets), net earnings dropped by 6.6 per cent to $448.3m.

The fluctuations have continued into 1984, but the average volume of business has been $5bn a month up on the comparable period of last year, which is an encouraging sign only in so far as profit margins have been maintained at acceptable levels. Most banks are seeking to restrict asset growth and increase fee income.

The days of "lazy banking" are over, according to Adnan Bseiso at Arlabank—and ABC has been one of the first to adapt, although it is still prominent as a syndication manager in the relatively few loans now coming to the market.

In July, it was agent bank for the Libor tranche of a $385m International Bank for Reconstruction and Development (IBRD) co-financing for the National Bank of Hungary, bringing the total lead-managed for Hungary this year to nearly $500m.

Mr Saudi's target is to reduce the proportional profit contribution of ABC's capital and loan portfolio, increase the range of banking products and diversify the deposit base. The acquisition of Banco Atlantico, which has 23 per cent of its deposits in foreign currency and no interbank funding, was a means to all of these ends.

ABC's name has been appearing more frequently in bond and FRN (Floating Rate Notes) issues: so far in 1984 it has managed 18, with a total commiment of $137m (including one $50m commitment for the Kingdom of Spain. It has also strengthened its participation in letter of credit and other commercial banking operations, mainly through its Milan branch, and has shown interest in opening a branch in Australia. The acquisition of Richard Daus last year gave ABC representation in Frankfurt, Monaco and the Cayman Islands.

The next development will be in investment services and leasing. The London-based mergers and acquisitions team, which is currently assisting in a $215m equity placement for Arab Oxy (a Bahrain-based subsidiary of Occidental Petroleum), is to be given its own corporate structure as ABC International and ABC Services.

Both companies will be subsidiaries of a $20m holding company, together with a third, ABC Leasing, which will utilise the bulk of the capital.

### Performance of the market leaders

(in U.S.$m)

| | equity | assets | loans | profit |
|---|---|---|---|---|
| **Arab Banking Corporation** | | | | |
| June 83 | 966 | 8,160 | 2,957 | 58.0* |
| Dec 83 | 1,028 | 8,762 | 3,358 | 110.7 |
| June 84† | 1,126 | 9,917 | 4,037 | 69.0‡ |
| **Gulf International Bank** | | | | |
| June 83 | 441 | 6,363 | 3,671 | 28.1 |
| Dec 83 | 447 | 7,437 | 4,038 | 57.5 |
| June 84 | 479 | 6,926 | 3,972 | 31.7 |

* before provisions for bad and doubtful debts
† including ABC's 70 per cent interest in Banco Atlantico
‡ after provisions of $12.3m

# Reform will improve business climate

### Algeria

FRANCIS GHILES

ALGERIAN borrowers have so far this year been absent from the international capital markets. Despite rumours which surface at regular intervals and which can often be traced to bankers frustrated by the dirth of high quality third-world loans, it is unlikely that this North African country will come back to the euromarkets before 1985.

Last year the leading Algerian banks raised two major loans abroad—on top of their normal activities in export and supplier credits and a forfait paper—on terms which were very fine and included an element of ⅛ per cent in the spread. Not all the $1.6bn they raised did they actually need: much of the money went towards refinancing part of the country's foreign debt, on terms less onerous than those of the loans raised in the late 1970s.

If the international banks keep pressing Algeria, and if it suits the Ministry of Finance, another loan cannot be ruled out. But the country's needs are not pressing: indeed, despite heavy repayments on the drawn debt, which this year will top SDR 4bn, the country's total drawn foreign debt is expected to decline by at least $500m to about $15bn by year end. Foreign borrowing this year will again be lower than debt amortisation.

As a percentage of GDP (gross domestic product), the foreign debt is estimated to have dropped below 30 per cent last year, a decline which is likely to continue in 1984 and 1985. Indeed, it is often overlooked that part of the country's debt is denominated in currencies other than the dollar. Algeria's foreign income is essentially in dollars while more than half of its imports and part of its foreign debt is labelled in French francs and other European currencies.

The country's reserves—excluding gold—have declined over the last year but they still cover about three months worth of imports, which is comfortable. As for its foreign income, the state oil and gas monopoly, Sonatrach, is expected to earn a little more this year than it did last year—$12.7bn. As imports have been more or less stable, the surplus on the balance of trade will be unchanged from the 1983 figure.

Against this background of comparative stability where external finances are concerned, the Algerian authorities continue to introduce domestic financial reforms which, they believe, will ensure a firmer base for growth in the future.

Since 1983, the state has derived less income from Sonatrach than from taxing the non-hydrocarbon industrial sector—which has output growing at the rate of 6-7 per cent a year — private Algerians and consumer goods sales. This makes a sharp reversal from what was true until the late 1970s, when Sonatrach's income was the essential source of income for the state.

The authorities are in the process of selling large amounts of state property in the cities and trying to let those properties which are not sold. In many instances rent has not changed since independence and this state of affairs, added to the serious overcrowding in major cities, has led to a decline in the upkeep of most apartment blocks. Now it is hoped that housing in major cities should improve.

However, even at the present rates of development, involving the building of 80,000 new state-financed units a year and at least as many private properties, serious housing shortages are likely to remain. The problem reflects the cost of not building new housing units between 1965 and 1978.

At the same time as they are changing their housing policy the authorities are introducing new tax legislation as more Algerians come into the tax bracket. But, in order not to discourage the private sector, whose contribution to the economy in textiles, services and building the authorities are anxious to increase, the maximum amount of tax any private person can pay has been reduced from 90 to 50 per cent. Previous levels simply encouraged fraud, which is still widely practised.

The banks have been involved in all these changes. Essentially they have been asked to concentrate on certain sectors of the economy. Banque Nationale d'Algerie follows the heavy industrial sector, Banque Exterieur d'Algerie the energy sector, and the new agricultural bank, farming. The authorities are particularly anxious to improve food output after the demagogical agrarian revolution of the 1970s which led to such a fall in production that two-thirds of what Algerians eat every year must now be imported.

### Fall in production

The banks have been given a much wider brief than they held three or four years ago. Their teams are expected to play a greater role in assessing projects. However, constructing such teams is not easy, especially at a time when the banks are having to make a major effort to increase the number of their branches. Some of the banks at times are also out of their depth with foreign companies—especially when it comes to paying contractors.

State companies in Algeria feel that the Ministry of Finance and the banks are intent on reasserting themselves after the 1970s, when enterprises such as Sonatrach, the state shipping company CNAN and the state steel company SNS, acted with much disregard for what the financiers said. Many of these companies have now been split or decentralised and the bickering between them and the banks can lead to some remarkably long delays in payments to contractors—up to a year or more for some foreign and local firms which are not even in dispute over the quality of their work.

Will the newly formed and slimmer state companies be beholden to the Ministry of Finance? Or will the old mother-companies, such as Sonatrach and SNS, play the roles of holding companies?

No decision has yet been made, yet such matters will condition the role of Algerian banks in future years. The resolution of these problems is urgent because a new Five Year Development Plan will be launched this autumn while the present delays in payments to foreign companies can only lead to rumours that Algeria's foreign income is under pressure. That would be an absurd outcome, considering the country's conservative financial management and its success in maintaining its foreign income. But if it happens the Algerians will have only their own slowness to blame.

Meanwhile, doing business in Algeria will remain a tough task, especially until the reforms currently underway are completed and until responsibilities for financial decision-making become clearer.

# Tackling areas of concern

## Bahrain Money Markets

MARY FRINGS

BROKERAGE and telecommunications costs are the topics which generate the most heat in any discussion of Bahrain's foreign exchange and money markets.

Dealers complain that broking services are the most expensive in the world, with unit commissions on dollar/sterling exchanges ten times higher than in London. When brokers make the comparison with London they say it costs them at least twice as much to service a bank from Bahrain, for one-tenth of the volume of business.

But the two sides are united against what they see as "profiteering by Bahrain Telecommunications (Batelco), the locally-controlled joint venture company which runs the former Cable and Wireless operation, and last year distributed a BD 10.8m ($28m) dividend from net earnings of BD 20m ($53m). The return on net assets was over 27 per cent.

Brokers say Batelco's charges for leased telephone and telex circuits to their European and Far Eastern offices, and open lines to London and Saudi Arabia, are way out of line with the cost of similar facilities in other world financial centres, and they suspect that the banking sector is subsidising services to other subscribers in Bahrain.

Until last November, Tullett & Riley was "hubbing" its in-house communications out of Bahrain, but has now switched its in-house conference line centre to Hong Kong, which is cheaper. The manager of another broking company identifies telecommunications costs as "the major anti-incentive" to committing more resources to Bahrain. In all cases communications make up between 30-40 per cent of total operating expenses.

Another significant factor affecting brokers' profitability is the need to employ a far higher percentage of expatriate staff than in Singapore or Hong Kong, because good local dealing talent is scarce and is equally sought after by offshore banks.

Although R. P. Martin reports a "75 per cent success rate with the people we've trained up ourselves," problems arise when university graduates who are attracted by the prestige of money dealing do not understand that they have to start from the bottom, and do not want to work after 2pm if they have private business interests to attend to.

Although most of the work is done in the mornings, four days a week, starting with the Far East and then moving into London, brokers are trading with Europe in the late afternoon and stay on as New York comes in. The market is virtually dead from 1 pm-4 pm and weekends are frequently a waste of time, but brokers offices are manned at least 12 hours a day, seven days a week.

### Attractive level

Brokerage commissions are due for renegotiation about now, since an agreement painfully hammered out in September 1983 runs only to the end of this year. Initially, rates were set by the Bahrain Monetary Agency (BMA) at a level to attract London-based brokers to a developing market, with the aim of ensuring competitive pricing and forging links with European and Far Eastern financial centres. These "incentive rates" remain unchanged at 1/32 per cent per annum for deposits and $50 per $1m on foreign exchange (with special arrangements for short-dated swaps) until October 1979.

As market volume increased, particularly in local currencies, brokerage on Saudi Riyal (SR) exchange business was then scaled down by mutual consent to $40 per $1m on spot, with further adjustments to swap rates.

The salient feature of last year's deal was the introduction of volume discounts (on foreign exchange brokerage only) ranging from 10 per cent on $7,500 to 30 per cent on amounts over $17,500. At the same time, basic exchange commissions were cut from $40 to $30 per $1m on Gulf currencies and from $50 to $40 on others.

But exchanges make up only about a third of the business of the Bahrain market, and the concessions obtained on deposit rates were nowhere near big enough to satisfy the banks, whose profit margins were coming increasingly under pressure as regional recession coincided with international debt problems.

Commissions on short-term money remained at 1/32 per cent, but dropped to 1/36 on deposits over three months and to 1/40 on CDs (Certificates of Deposits). The chief dealer of an Arab bank described this as "a stupid compromise" and added: "In London brokers and dealers do not sit round a table for hours discussing whether they are going to cut unit costs by 0.0047 per cent."

In 1983 the brokerage earned in Bahrain dropped 11 per cent to $14.6m, mainly as a consequence of the contraction of the *interbank market*. At $1m a month or below, not all of the six brokers can be sure of covering their operating costs. This year has been looking better, with a record of around $1.6m in May—perhaps, as one trader commented, because "we need an unstable world to make money." But the new round of negotiations comes at a tough time for the banks, and when cost-trimming is the order of the day brokerage is a very visible item.

While there may be an argument for lowering the threshold of volume discounts on exchange brokerage and introducing discounting to money market operations, brokers are likely to fight strongly against any reduction in unit rates, which could conceivably put the viability of at least two of them in jeopardy. Some of them believe banks are putting their own short-term interests before what is good for the survival of the Bahrain market.

However, there are differing views on how many brokers are needed, and the chief dealer of one Arab offshore bank said he would just as soon concentrate on three. An increasing volume of business is being done direct (in many cases 70 per cent or over), and the introduction of the Reuter Money Dealing System has made direct dealing both quicker and more cost effective.

Although the Reuter dealing system is expensive at $1,500-$4,500 a month (depending on the number of facilities) for one key station, banks know in advance what their monthly outgoings will be, because the charges are not usage-dependent, and there are savings on other telecommunications costs. On the other hand a machine cannot discuss the market trend, as a broker can, or distinguish the right side of the price.

Since last year, 38 banks in Bahrain who already subscribe to Reuter's Monitor have added the Money Dealing System, among 600 world-wide. Brokers say it has not affected the bix Eurocurrency deposit market and may even have been a help, if only because banks feel obliged to quote on a direct call turn to brokers to get rid of money they do not really want. But the system does seem to have had an impact on exchanges and also on the restricted SR deposit market.

The prices which Marshalls and other brokers quote on the Reuter Monitor are posted from London; they cover spot and forward dollar exchange rates for all major international currencies (but not SR) and Eurocurrency deposit and CD rates. Marshalls is alone so far—and acting as the guinea pig—in installing Reuter's newly-developed broker package, although others are now assessing its cost-effectiveness in providing instant contact between their offices around the world.

While most of the 15-20 actively dealing banks support the local brokers who provide a regular day-in day-out service, there is nothing to stop competitors calling in from outside and "taking the cream without putting in a commitment," according to one injured party.

United Gulf Bank has in the past used outside brokers exclusively. Others may pass a small amount of business to one or two firms with whom they have built up a relationship (in the case of a major Arab bank, this represents 8 per cent of total brokerage paid).

The chief dealer of a leading European bank makes no secret of his preference for outside brokers, not only because they are cheaper but because he believes they give a better service. He explains: "Local brokers are not primary market-makers. They feed off prices from other centres and the time delay causes lack of information and inability to close out transactions." But there have been periods when as much as 95 per cent of his deals have been done direct, "because then we get a price and we hit it. When the market is moving about a lot the brokers have no price."

Brokers could be in a "no-win" situation because although the banks insist that the present rating scale is "not conducive to wanting to make a market through brokers," they cannot promise any change of emphasis if the rates come down. "Most of the time we don't make a conscious decision to use brokers or not," said one dealer. "We do what we can where we can."

While all the Bahrain brokers are trying to extend their range of services into interest rate swaps and other new products, three have closed down more conventional lines. In Charles Fulton's case, withdrawal from the international foreign exchange market was dictated by Mercantile House when it took over the company's operation world-wide, and had nothing to do with Bahrain.

Kirkland Whittaker dropped SR in October last year "because we never got it right and we were not making money," while Unibco found it difficult to attract suitable staff and gave up a second attempt to quote SR at about the same time. The trouble with closing down one sector is that others could suffer, and dealers are quick to brand any reduction in services and personnel as false economy.

Fulton say the presence of six brokers in Bahrain creates competition and "keeps us on our toes." Certainly no one wants to go, in case there should be a resurgence of growth in two to five years time—but if the market shrinks and brokerage is inexorably pushed down, there may be no alternative for those who are already feeling the pinch. One company, rather ominously, says it is too big to quit and "could afford not to make money for a time to get rid of the opposition."

Outside of the debate over brokerage and costs, another issue arousing some controversy is that of professional ethics. A liaison committee chaired by the senior Bank of England adviser to the BMA is currently drawing up recommendations for a code of conduct, primarily along London lines but with some modifications to fit local conditions and behaviour patterns.

The diplomatic view is that a control mechanism is needed anywhere, otherwise abuses creep in, and the BMA is roundly condemned in some quarters for not policing the market strongly enough in the past. The fact that the BMA circulated a "guidance notice" in July this year, on the subject of visits by dealers to brokers' offices, shows that it can and does take action when infringements of accepted practice are reported.

There is as yet no joint standing committee or other body with the power to arbitrate in disputes, but the code of conduct is likely to make it clear that the BMA will be directly responsible for maintaining professional standards.

### Worrying degree

The main area of concern seems to be the protection of counter-parties' anonymity, and one dealer claims that the "level of disclosure of banks business is rising to a worrying degree." What experienced London-trained expatriates are trying to avoid saying out loud is that the very few lapses that do occur can usually be traced to the ignorance or inexperience of locally-trained dealers and brokers, who have not fully absorbed the ethics of the market and whose conversations in Arabic are difficult for them to monitor.

Brokers' perceptions of the future of Bahrain as a money-centre are coloured to some extent by the fact that the big Japanese trading banks which are a major force in London, Singapore and New York, have only a single representative (Bank of Tokyo) in Bahrain. They also note the increasing caution of international banks in concentrating more of their operations on head office instead of permitting positions to be run from overseas branches, while the major Arab banks such as ABC, GIB and Saudi National Commercial, who are now the mainstay of the market, have never gone in for speculative position-taking.

However, most of them think Bahrain is here to stay, and that in the long-term—if they can weather the lean years—it will be worth their while to stay too.

**Brokerage earned by moneybrokers in Bahrain**

| | |
|---|---|
| 1979 | $7.5m |
| 1980 | $9.8m |
| 1981 | $13.6m |
| 1982 | $16.4m |
| 1983 | $14.6m |
| 1984 (Jan-June) | $7.8m* |

* The half-year figures may not accurately reflect the average level of business, since Ramadan fell in June this year.

## Batelco replies to criticism

*WHERE* any large company offers a range of different services, an element of cross-subsidisation may occur. To avoid this happening, Batelco tries to ensure that services broadly cover the cost of their provision.

Obviously our costs will differ, often sharply, from those incurred by telecommunications authorities operating in other countries, and this may make a comparison of our charges appear disadvantageous in some cases.

However, comparison with the charges raised in neighbouring countries for equivalent services does indicate that we are not out of line regionally. The fact that some international corporations choose to base their world or regional communications networks in Bahrain rather than elsewhere indicates that Batelco is competitive on a world-wide basis.

To ensure that customers benefit from our financial success, Batelco recently reduced by 40 per cent its charges for voice-grade leased circuits which form part of an international private network, and cut by half its rate for international direct-dialled telephone calls made after 7 pm.

# Basis for prudent judgement

**Bahrain Monetary Agency**

MARY FRINGS

OVER THE past two years the slowdown in the Bahrain offshore banking market has given the Bahrain Monetary Agency an opportunity to further develop its supervision of over 30 banks and investment companies for which the world financial community holds it responsible.

The BMA has recently revised its reporting system to produce more meaningful information on which to base its prudential judgments, and for the first time is in the process of specifying legal lending limits for locally-incorporated banks.

The need for tighter discipline and for more formal and explicit guidelines is an indication of how much the market has changed, not only in size but in character, since the first offshore banking units (OBUs) were licensed in 1975.

With the exception of Gulf International Bank (GIB), which in any case was government-owned and very conservatively run, the early OBUs were all branches of well-established international banks, among them Citibank, Algemene Bank Nederland (ABN), Banque Nationale de Paris (BNP), Société Generale, Lloyds, Midland, Bank of America and Chase Manhattan.

As branches, they were subject to parental control, and the parents themselves were answerable to regulatory authorities in their home countries.

Safeguards were also built into the formation of joint ventures such as Gulf Riyad Bank (Riyad Bank and Credit Lyonnais), and the locally-incorporated subsidiaries of Frab-Bank, European Arab and other banking groups, including the late-coming Japanese securities houses.

This was not the case with some of the new regional banks, which had no institutional affiliations at all.

More than one incoming professional manager has had to educate his directors in the elements of sound banking practice, and continues to carry the burden of the imprudent and even illegal dispositions of capital which they made before he was in a position to argue.

The formation of locally-incorporated offshore banks started in 1978, after the introduction of the so-called Exempt Company (EC) regulations, which offered foreign investors the facility of setting up a Bahraini company without ceding control to local partners, in return for an undertaking not to compete in the local market.

The first two companies to be registered as ECs were in fact banks, and today there are 22 EC banks and investment companies licensed by the BMA. Together with GIB and Arab Banking Corporation (ABC), which were established by Amiri charter, this brings the number of offshore and domestic financial institutions under the direct jurisdiction of the BMA to 33.

The extent of the BMA's responsibility has never been clearly defined and the term "lender of last resort" is not to be found in the Bahrain Monetary Agency law, or, for that matter, in the laws of many other countries. The BMA operates day-to-day swap and discount facilities to help dinar-based banks (including foreign branches) operating in the domestic market to overcome temporary liquidity shortages, and it is assumed that it would protect the interest of depositors if any locally-owned and incorporated domestic bank got into serious trouble.

While it would be wrong to pretend that the BMA does not have its problem children, at least there are no "house banks" in Bahrain and even the small private banks have a well-diversified shareholder base.

The possibility of mergers is frequently discussed but the BMA has not seen fit to act as a match-maker.

That the problem children are to be helped and guided rather than punished is demonstrated by the BMA's flexible approach towards implementation of the new restrictions on how much locally-incorporated banks (both domestic and offshore) may lend to their directors and single borrowers.

From this month, directors collectively may not be given loans, overdrafts or LC facilities (whether secured or unsecured) which exceed 30 per cent of the bank's paid-up capital and reserves. Each director is subject to the same 15 per cent credit limit as any other single obligor—taken to include an individual and close members of his family, or, in the case of corporate customers, other group companies where there is management influence or control of 20 per cent of the shares.

"We expect banks to bring their existing credit facilities into line within two years," says Sheikh Ebrahim K Al Khalifa, the deputy governor of the BMA. "But in cases of hardship we are prepared to discuss a concessionary transition period." The matter could be difficult to handle if it involves the directors of Bahraini domestic banks.

The single obligor concept specifically includes borrowing in individual and corporate capacities, and related party business in an area where it is not unusual for substantial investors to have a 20 per cent stake in at least a dozen enterprises. Nevertheless, some bankers regard the limits as too liberal.

Bahrain Government agencies and banks are exempted from the 15 per cent lending limit, but the BMA says it intends to monitor banks' exposure to other banks through prudential returns. Country limits, although not specified, will also be discussed on a case-by-case basis at regular meetings between managements and *banking supervisors.*

The search for more comprehensive information on banks' operations began with new disclosure requirements for their 1982 and 1983 accounts. Banks must now classify their risk assets by country and give details of large loans, loans to directors, rescheduled and non-performing loans—defined as those which are in default or on which interest is 90 days past due.

Income from loans which fall within that definition may not be included in the profit and loss account, unless the bank can persuade its auditors that there is good reason for doing so, in which case the loan itself must be reported.

In addition to improving the format of monthly balance sheet returns, the BMA has introduced a quarterly Prudential Information Return for the Bahrain-incorporated commercial banks (FCBs, OBUs and IBLs, starting with the month of June).

This is designed to enable the supervisors to make a qualitative assessment of the bank and to diagnose any problems before they get out of hand.

No bank likes filling in extra forms, but the information required for the prudential return should be readily available if the management is doing its job, according to the BMA. It is, of course, highly confidential.

**SUMMARY OF PRUDENTIAL INFORMATION RETURN TO THE BMA**

(Submitted quarterly by all locally-incorporated institutions licensed by the BMA, in addition to monthly balance sheet returns.)

**Liabilities and shareholders funds**
Breakdown of capital funds. Current liabilities including general provisions. Analysis of deposit liabilities with specific reference to related party deposits.

**Provisioning**
Analysis of both specific and general provisions

**Profit and loss**
Analysis of components of profitability: expenses, provisions income.

**Assets**
Separate listing of sums due from related and unrelated corporate and individual customers. Breakdown of trade investments and investment securities at cost and market value (or directors valuation if unlisted). Other assets including premises, equipment, other land and buildings owned, goodwill etc.

**Contingent liabilities**
Details of guarantees, performance bonds, underwriting commitments, endorsements, acceptances, LC's etc.

**Items for special note**
Back-to-back deposits/loans, with and without legal right of set-off. Pledged Assets. Irrevocable standby facilities from Bahrain incorporated banks and others.

**Analysis of large deposits and exposures**
The 25 largest depositors (bank and non-bank). The 25 largest exposures (guarantees etc., as well as loans and advances).

# Strategic business realignment

**Jordan**

RAMI G. KHOURI

A BIG change in the economic climate in Jordan, after a decade of very fast and profitable growth, is redrawing the lines of the domestic banking business.

As it did a decade ago following the post-1973, petrodollar-fuelled boom, the Jordanian banking and finance sector is making a gradual but major adjustment to the new realities of lower growth, significantly increased competition and a more interventionist attitude by the Government.

The Central Bank of Jordan continues to maintain a moratorium on the issue of new licences for banks and other financial institutions. Like the private bankers themselves, it feels that Jordan may have become over-banked in recent years, when the number of banks and financial institutions grew nearly three-fold.

The total of 36 institutions includes 16 commercial banks, eight state-dominated specialised credit and pension institutions, four savings and loan associations, five finance companies, three Islamic banking houses, and two investment banks, alongside 35 insurance companies.

Soon to be established is a new mortgage fund (with majority or substantial government equity), to inspire the development of a secondary market in the expanding mortgage paper business.

The past two years of recession, largely induced by a sharp drop in official Arab aid, and therefore in central government spending, have significantly curtailed the growth in banking business. As national economic growth has more than halved, to an expected real rate of some 3 or 4 per cent this year, the annual increase in commercial bank lending has been halved to around 10 per cent.

In June, the commercial banks and the specialised credit institutions had total outstanding credits of JD 1.446bn ($3.76bn), compared to a mid-1983 figure of JD 1.27bn ($3.3bn).

Lending to the formerly booming trade, construction and real estate sector's has slowed slightly, while credits to public corporations, the financial sector and the key mining sector have risen. Bankers have gravitated quickly to the safety of sovereign lending or to government-guaranteed loans to semi-*public institutions.*

The banking system continues to put together locally financed, dinar-denominated medium-term syndicated loans and bonds, particularly for Government or Government-guaranteed public corporations which have been badly hit by a sudden shortfall in the national budget. In the past five years, the new investment banks and finance corporations have been particularly active in arranging a total of over JD 120m ($312m) in syndications and bonds.

This trend has been actively encouraged by the Central Bank, both through the licensing of the new investment banking companies, and concessionary refinancing arrangements for banks' participations in syndicated loans and bonds. But the new investment bankers now complain that they face increased competition during a *period of shrinking business* volume.

While their cost of funds is substantially higher than that of the commercial banks (averaging 8 per cent versus 5 per cent), they both have to abide by the Central Bank's maximum effective lending rate of 10.25 per cent.

## Minimum capital

The Government is responding by laying the legislative groundwork for a possible round of mergers among the investment banks and finance companies. This coincides with two other programmes, by which foreign bank operations in Jordan must become 51 per cent Jordanian-owned by the end of 1986, and all banks operating in Jordan must raise their minimum capital to JD 5m ($13m).

All of these changes, mandated by the Central Bank and the Government, will gradually usher in a new era of Jordanian banking and finance.

Slightly fewer, but stronger and better capitalised, institutions should carry a greater burden of financing the needs of an economy that is growing at a more rational pace, and placing more emphasis on its productive sectors. The banks have also been required to invest 15 per cent of their capital and reserves in the shares of public share-holding companies, to help bear the burden of financing the productive sector.

This strategic realignment is paralleled by an interventionist Central Bank monetary policy, based on periodical adjustments of banks' maximum credit/deposit ratios, minimum reserve requirements, and lending and deposit rates, in line with the changing liquidity situation in the market.

# Tunisia: A system of rigid state control

THERE ARE three types of banking institution in Tunisia. The deposit banks cater for the local commercial market; the *development banks lend and invest* on a more or less commercial long-term basis in industrial, agricultural and service projects; and the offshore banks, which are fairly inactive (with the exception of Citibank), concentrate what activities they have on financing the oil industry and foreign industrial companies

The deposit banks are so tightly controlled that they are almost agents of the state. In this sector one sees the Socialist face of the mixed Tunisian economy.

Deposit banks may not lend sums of over certain amounts without the approval of the Central Bank. For most types of loan the limit is TD 600,000 ($718,000), though it drops to *TD 75,000 if the bank is later to be able to discount the loan* with the Central Bank. For medium-term agricultural loans the limit is only TD 5,000.

Further controls apply to the amounts that banks must lend *to certain sectors. Twenty per cent of the banks' deposits* must be lent to the government, 5 per cent must go to the Caisse Nationale d'Epargne et Logements (the state housing bank), and 18 per cent of the funds advanced to other parties must be lent medium-term. Within the 18 per cent, 2 per cent of the banks' loans must go to small enterprises.

Interest rates are fixed by the Central Bank—the last change was in 1981. The fixing stipulates maximum and minimum rates for loans to each sector, which allows some minor scope for competition between the banks.

No direct transactions are allowed between the banks. A foreign exchange market does not exist and the money market is managed entirely by the Central Bank.

The authorities say that the system of controls is designed partly to avoid particular companies or sectors being overfinanced. This means, in particular, stopping too much credit going to real estate development and imports. It is claimed that if the government were to remove controls in one area of activity it would have to change the whole system.

**Michael Field**

## Guide to the country's banking institutions

### Deposit Banks

**SOCIETE TUNISIENNE DE BANQUE (STB)**
**Ownership:** Established 1957. Owned 51 per cent by state, 30 per cent by state agencies and corporations, rest by individuals including employees.
**President DG:** Hamda al Beji
**Address:** 1 Av Habib Thameur. Tel 340477, 340006
**Comments:** The leading Tunisian bank, with about a third of domestic and international business. Traditionally known for involvement with industry, now emphasis less obvious.

**BANQUE NATIONALE DE TUNISIE (BNT)**
**Ownership:** Established 1959. Owned 25 per cent by state, 46 per cent by state agencies and corporations, rest by private shareholders.
**President DG:** Mohammad Ghenima
**Address:** 19 Avenue de Paris. Tel 258066
**Comments:** Second biggest Tunisian bank, with almost a quarter of the market. *Traditionally known* for involvement with agriculture, now emphasis less obvious.

**BANQUE DU SUD (BS)**
**Ownership:** Established 1968. Owned by state, Union Générale de Travailleurs Tunisiens (the trade union federation) and private Tunisian shareholders—35 per cent. Also Union de Banque a Paris and Monte di Paschi Sienna.
**President DG:** Nejl Skhiri
**Address:** 14 Ave de Paris. Tel 289400

**BANQUE DE TUNISIE (BT)**
**Ownership:** Established 1884. Majority owned by private Tunisians, rest by French banks: Credit Industriel et Commercial, Societe Generale, Banque Transatlantique
**President DG:** Boubaker Mabrouk
**Address:** 3 Av de France. Tel 259999
**Comments:** One of the three genuinely private Tunisian banks.

**UNION BANQUAIRE POUR LE COMMERCE ET L'INDUSTRIE (UBCI)**
**Ownership:** Established 1961. Owned 48 per cent by private Tunisians, rest by Banque Nationale de Paris and Banque Nationale pour le Commerce et L'Industrie Afrique (BANCIA).
**President DG:** Abdessalem Ben Ayed
**Address:** 7-9 rue Jamal Abdenasseur. Tel 245877

**UNION INTERNATIONALE DE BANQUES (UIB)**
**Ownership:** Established 1964. Owned 38 per cent Tunisian state and partly state corporations including Societe Tunisienne de Banque, 32 per cent by private investors, and rest by Credit Lyonnais and Banca Commerciale Italiano. Bank of America and Commerzbank disposed of small holdings in 1983.
**President DG:** Tawfik Torgeman
**Address:** 65 Av Habib Bourguiba. Tel 247000
**Comments:** Been much involved in promotion of Tunisian exports, has more sophisticated international department than most other banks

**CREDIT FONCIER ET COMMERCIAL DE TUNISIE (CFCT)**
**Ownership:** Established 1967. Owned entirely by Tunisian Ben Yedder group.
**President DG:** Rashid Ben Yedder
**Address:** 13 Av de France. Tel 253133
**Comments:** One of the three genuinely private Tunisian banks.

**BANQUE INTERNATIONALE DE TUNISIE (BIAT)**
**Ownership:** Established 1976. Owned 58 per cent by Tunisian private shareholders, 25 per cent by other private Arab interests from Kuwait and Qatar, and the rest by European banks including the British Bank of the Middle East and Banque Neuflize Schlumberger Mallet.
**President DG:** Mokhtar Fakhfakh
**Address:** 72 Av Habib Bourguiba. Tel 258755
**Comments:** One of the three genuinely private Tunisian banks.

**BANQUE FRANCO TUNISIENNE (BFT)**
**Ownership:** Established 1879. Now owned entirely by Societe Tunisienne de Banque. Agreement in principle has been reached with private Saudi interests on their acquiring a shareholding through an increase in capital.
**President DG:** Hassan Riahi
**Address:** 13 rue d'Alger. Tel 242100

**ARAB TUNISIAN BANK (ATB)**
**Ownership:** Established 1969. Formerly branch of the Arab Bank (of Jordan) now Tunisianised. Owned 65 per cent by Arab Bank, rest by private Tunisian shareholders.
**President DG:** Hatem Kchouk
**Address:** 43 rue Al Jazira. Tel 242133

### Development Banks

**BANQUE DEVELOPPEMENT ECONOMIQUE DE TUNISIE (BDET)**
**Ownership:** Established 1959. *Owned 59 per cent by state*, state corporations and private Tunisian shareholders, 41 per cent by foreign shareholders including International Finance Corporation.
**President DG:** Habib Bourguiba Jr
**Address:** 68 Av Habib Bourguiba. Tel 340811

**BANQUE NATIONALE DU DEVELOPPEMENT TOURISTIQUE (BNDT)**
**Ownership:** Owned by state, Tunisian corporate and private shareholders, Consortium Tuniso Koweitien de Developpement, and the Arabian-Tunisian development banks listed below.
**President DG:** Sadok Bouraoui
**Address:** 31 Av de Paris. Tel 345200
**Comments:** Until recently was Compagnie Financiere et Touristique (COFIT)

**SOCIETE TUNISO SEOUDIENNE D'INVESTISSEMENT ET DE DEVELOPPEMENT (STUSID)**
**Ownership:** Established 1981. Tunisian and Saudi governments 50-50.
**President DG:** Sadok Bahroun
**Address:** 29 rue Asdrubal. Tel 287233

**BANQUE TUNISO-KOWEITIENNE DE DEVELOPPEMENT (BTKD)**
**Ownership:** Established 1981. Tunisian and Kuwaiti governments 50-50.
**President DG:** Mohammad Brigui
**Address:** 3 Av Jean Jaures. Tel 340000

**BANQUE TUNISO-QUATARIE D'INVESTISSEMENT (BTQI)**
**Ownership:** Established 1982: Tunisian and Qatari governments 50-50
**President DG:** Mohammad Moncef Zaafrane
**Address:** 3 rue du Kenya. Tel 288451

**BANQUE DE TUNISIE ET DES EMIRATS D'INVESTISSEMENT (BTEI)**
**Ownership:** Established 1982. Owned 50 per cent Abu Dhabi Investment Authority (ADIA), 35 per cent Tunisian Finance Ministry, 15 per cent Tunisian Central Bank.
**President DG:** Moncef Kaouach
**Address:** 5 Bd Philippe Thomas. Tel 282311, 894470

**BANQUE DE COOPERATION DU MAGHREB ARAB (BCMA)**
**Ownership:** Established 1981. Tunisian and Algerian governments 50-50.
**President DG:** Salaheddine Ben Mubarek
**Address:** 70 Av de la Liberté. Tel 894311, 894738

**BANQUE NATIONALE DE DEVELOPPEMENT AGRICOLE (BNDA)**
**Ownership:** Established 1983. Owned mainly by Tunisian government *and state and semi-state organisations. Other* shareholders include banks and private citizens.
**President DG:** Habib el Hadj Said
**Address:** 3 rue Jugurtha. Tel 288177, 289217

**TUNISIAN-LIBYAN BANK**
**Ownership:** This instiution has not yet been established, though the two governments have reached agreement on it. It is also intended that there should be a Tunisian-Libyan *offshore* bank.

### Offshore Banks

**CITIBANK**
*Run by Lee Nelson*
**Address:** 3 rue Jugurtha. Tel 890066.
**Comments:** Most active of the offshore banks.

**UNION TUNISIENNE DE BANQUES**
***Ownership:** Offshore branch of Paris* based Union Tunisienne de Banques, which is owned entirely by Société Tunisienne de Banque, the biggest Tunisian bank.
**Address:** 49 Av Habib Bourguiba. Tel 341211

**TUNIS INTERNATIONAL BANK**
**Ownership:** Owned by various Arab institutions, mostly Kuwaiti, including Gulf Financial Centre, Sharjah Group, United Fisheries and Kuwait Real Estate Investment Consortium.
**Address:** 18 Av des Etats Unis. Tel 289044

**NATIONAL BANK OF ABU DHABI**
**Address:** 49 Av Habib Bourguiba. Tel 259100, 256010

**BEIT ETTAMMOUIL ESSAOUDI ETTOUNSI (BEST)**
**Ownership:** Islamic bank owned 20 per cent by Tunisian government and 80 per cent by Saudi private interests—mainly Saleh Kamal's group. Established 1983. Is allowed informally to take Islamic deposits from Tunisian residents, but does not solicit deposits.
**Address:** 92 Av Hedi Chaker. Tel: 288144

**MIDDLE EAST BANK**
**Ownership:** Offshore branch of the Middle East Bank of Dubai, owned by Futtaim family.
**Address:** 79 Av Jugurtha. Tel 894322

**REPRESENTATIVE OFFICES:**
Chase Manhattan, Bankers Trust (office for Maghreb region), Bank of America (formerly had offshore branch, now rep office for Maghreb region), Banco do Brasil, The Arab Investment Company (TAIC—Riyadh based, Arab government owned regional investment company), Arab African Bank.

### CONSOLIDATED BALANCE SHEET OF TUNISIAN DEPOSIT BANKS AT DECEMBER 1983

| | | |
|---|---|---|
| **ASSETS (TD millions)** | | |
| Cash in hand | | 11.6 |
| Deposits with Central Bank | | 39.6 |
| Ordinary Central Bank | 9.1 | |
| Provisional deposits | 10.1 | |
| Legal reserves | 11.6 | |
| Foreign currency accounts | 8.7 | |
| External assets | | 85.1 |
| Assets on the state | | 336.4 |
| Bonds | 332.5 | |
| Public loans | 0.04 | |
| Deposits with post office | 2.0 | |
| Loans | | 2,148.4 |
| Loans granted on ordinary funds | 1,875.0 | |
| Overdrafts for residents | 578.0 | |
| Drafts discounted on resident debtors | 953.9 | |
| Sundry Tunisian debtors | 159.1 | |
| Receivable drafts | 339.3 | |
| Less accounts to be exacted on cash | | −220.6 |
| Various debtors | 36.2 | |
| Doubtful and litigious debt | 37.0 | |
| Loans granted on special funds | 273.4 | |
| Securities | | 60.7 |
| CNEL and BDET bonds | 4.7 | |
| Other securities and stocks | 54.0 | |
| Miscellaneous assets | | 290.7 |
| Real estate | 45.3 | |
| Endowment to branches abroad | nil | |
| Invisible assets | 11.5 | |
| Non-banking correspondents | 0.003 | |
| Domestic banking correspondents | 12.4 | |
| Loans to money market | 63.3 | |
| Various Residents | 154.2 | |
| Advances to CNEL on anticipated loans | 4.1 | |
| **TOTAL** | | 2,971.3 |
| **LIABILITIES TD millions** | | |
| Money deposits (M1) | | 1,049.8 |
| Corporate and individual | 1,045.8 | |
| Call accounts | 958.1 | |
| Sundry creditors | 62.6 | |
| To be paid | 25.0 | |
| IFDCE | 4.0 | |
| Quasi-money deposits (M2) | | 767.6 |
| Corporate and individual M2 deposits | 755.9 | |
| Time accounts | 372.1 | |
| Savings accounts | 407.0 | |
| Medium term resources (longer than 1 year) | 1.5 | |
| Accounts in foreign currency or convertible TD | 3.2 | |
| Provisions on letters of credit | 14.4 | |
| Non-disposable liquid accounts | 15.6 | |
| IFDCE | 12.8 | |
| External liabilities | | 158.9 |
| Deposits of non-residents | 125.6 | |
| Foreign banking correspondents | 33.3 | |
| Sundry non-resident creditors | 0.01 | |
| Miscellaneous, non-residents | 0.1 | |
| Advances from Central Bank | | 191.5 |
| Refinancing on long and medium term credits | 226.2 | |
| Operations on money market | −39.8 | |
| Other advances | 5.2 | |
| Special resources | | 275.7 |
| Foreign long term | 130.4 | |
| Counterpart resources | 9.7 | |
| Government loan fund | 135.5 | |
| Own resources | | 191.7 |
| Capital | 84.1 | |
| Non-distributed earnings | 0.7 | |
| Reserves | 59.3 | |
| Provisions | 47.5 | |
| Other liabilities | | 336.2 |
| Domestic correspondent banks | 12.3 | |
| Domestic branches (net) | −2.4 | |
| Earnings (net) | 38.8 | |
| Loans from money market | 71.6 | |
| Counterpart of foreign currency operations (net) | 0.6 | |
| Foreign exchange and stock exchange ops (net) | −0.03 | |
| Various residents | 199.6 | |
| Real estate depreciation | 15.7 | |
| **TOTAL** | | 2,971.3 |